Yakult

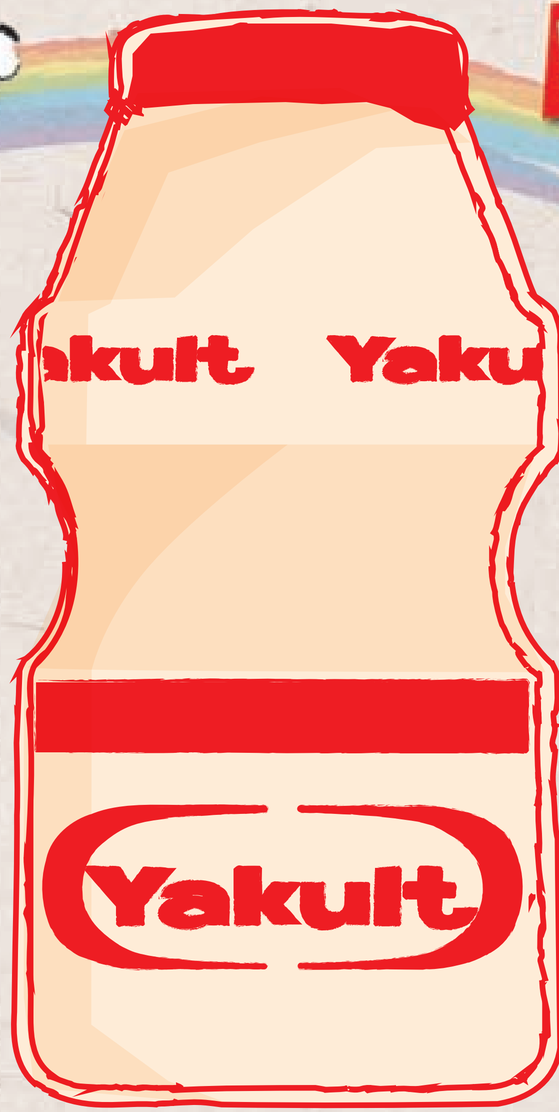
Annual Report 2012

Year ended March 31, 2012

Growing From Profile

Our founder,

Dr. Minoru Shirota, successfully strengthened and cultivated *Lactobacillus casei* strain Shirota while working in a microbiology laboratory at Kyoto Imperial University School of Medicine (now Kyoto University). In 1935, he began sales of a fermented milk drink under the brand name *Yakult*.



More than 75 years since then,

Yakult has conducted its business activities around the world in ways based on Dr. Shirota's philosophy—Shirota-ism (preventive medicine, the link between a healthy intestinal tract and a long life, and offering products at a price affordable to everyone)—explained on the next page.

As of March 31, 2012,

as a Probiotics* pioneer, we help to protect people's health in 32 countries and regions, including Japan. In addition to fermented milk drinks, Yakult operations in Japan today include a pharmaceuticals business, in which we handle an anticancer drug widely used worldwide, as well as a cosmetics business.

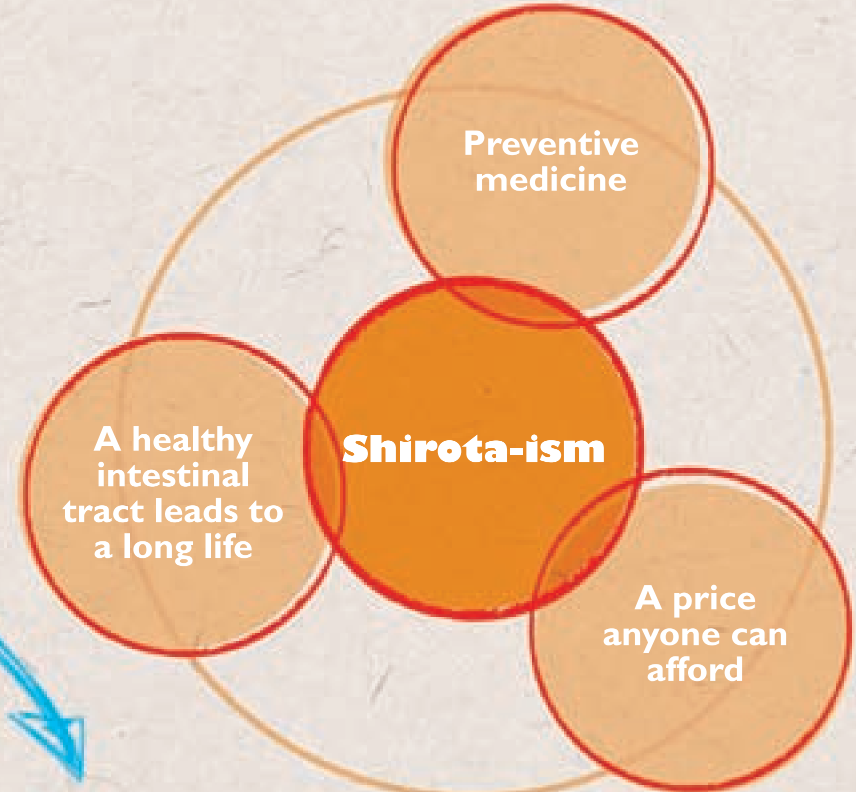
* Probiotics: Live microorganisms that provide health benefits by improving the balance of intestinal flora.

Contents

Forward-Looking Statements

Statements contained in the Annual Report 2012 regarding business results for fiscal 2012 represent judgments based on currently available information. It should be noted that there is a possibility that actual results could differ significantly from those anticipated due to such factors as exchange rate fluctuations.

Our Roots



The Sources of Yakult's Strength

Yakult has three unique sources of strength:

Products Power **Sales Power** **R&D Power**

Products Power:
More Than 75 Years of a Global Classic

From its founding more than 75 years ago, Yakult has been a pioneer in the field of Probiotics, delivering products that contribute to good health. Today, Yakult has expanded beyond food and beverages to play an active part in the pharmaceuticals and cosmetics businesses as well.

Dynamic R&D:
The Wellspring of Future Competitiveness

For Yakult, R&D activities vitally underpin its ability to create products that promote good health today and in the future. The R&D Division pursues fundamental research in life science aimed at developing and applying basic materials in food, pharmaceuticals, cosmetics and other areas.

Lactobacillus casei strain Shirota

Bifidobacterium breve strain Yakult

The Yakult Lady System:
Everywhere Is Local

Yakult supplies its products via two sales channels: home delivery sales by Yakult Ladies, and retail sales via high-volume retailers, vending machines, and other points of sale. Together, these two channels are better than one, creating synergies that underpin Yakult's powerful sales capabilities.

Our unique home delivery system offers opportunities to meet customers face-to-face and explain to them how lactobacilli work to support good health. It also enables customers to experience for themselves the benefits of Yakult products.

Yakult Consumption around the World

Taking Good Health

Financial Highlights

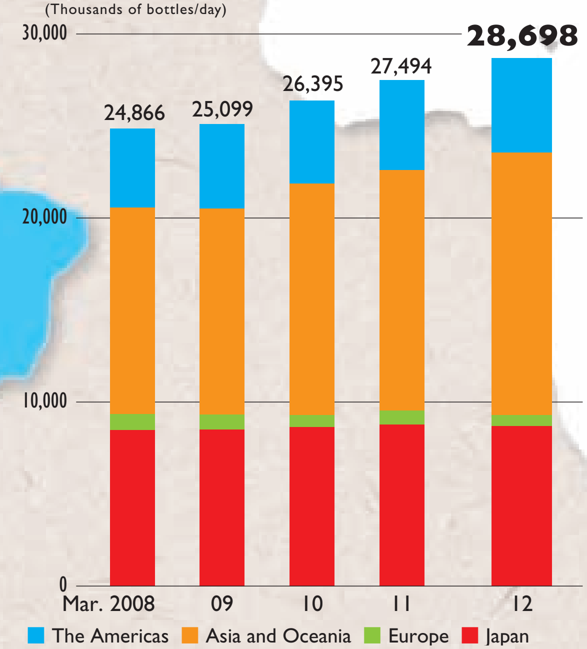
YAKULT HONSHA CO., LTD. and consolidated subsidiaries
March 31, 2012, 2011, 2010, 2009 and 2008

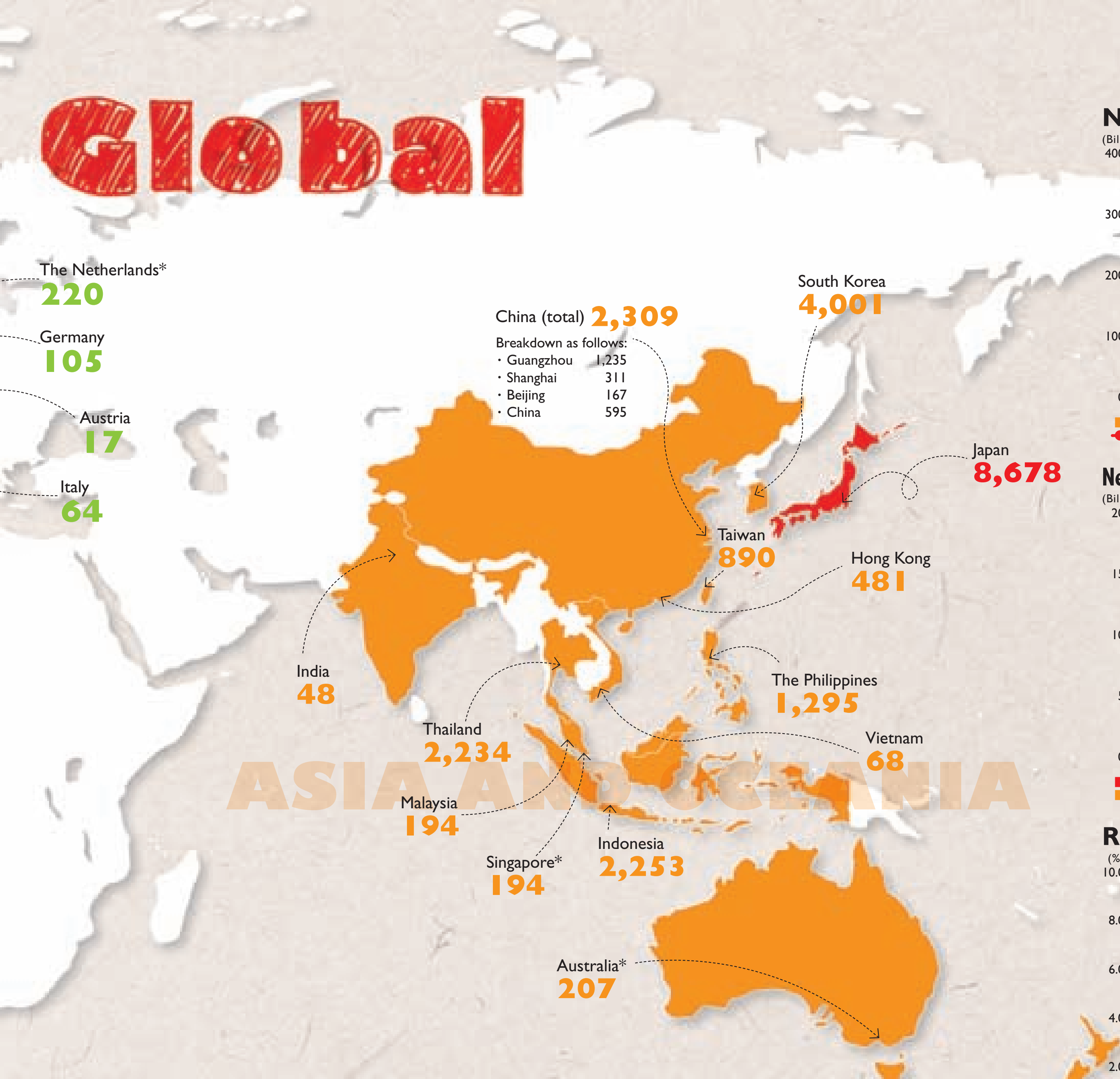
	Millions of yen					Thousands of U.S. dollars (Note 2)
	2008	2009	2010	2011	**2012**	**2012**
For the year:						
Net sales	¥317,335	¥293,490	¥290,678	¥305,944	**¥312,553**	**$3,811,621**
Operating income	22,502	16,744	18,991	20,401	**20,817**	**253,868**
Net income	16,675	11,325	13,249	13,169	**13,292**	**162,097**
At the year-end:						
Total assets	¥384,569	¥361,902	¥389,892	¥392,828	**¥397,214**	**$4,844,071**
Total liabilities	118,566	134,936	140,970	141,857	**144,971**	**1,767,937**
Total equity	266,003	226,966	248,922	250,971	**252,243**	**3,076,134**
Financial ratio:						
Return on equity (ROE) (%)	7.0	5.1	6.2	5.9	**5.8**	

	Yen					U.S. dollars (Note 2)
Per share of common stock:						
Basic net income	¥ 95.93	¥ 65.75	¥ 77.11	¥ 76.55	**¥ 77.32**	**$ 0.94**
Total equity (Note 3)	1,376.41	1,195.60	1,300.21	1,313.37	**1,328.61**	**16.20**
Cash dividends applicable to the year	20.00	20.00	20.00	22.00	**22.00**	**0.27**

Notes: 1. Figures are rounded to the nearest million.
2. The translation of Japanese yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan and has been made at the rate of ¥82 to U.S.$1, the approximate rate of exchange at March 31, 2012.
3. Minority interests are not included in equity on process of calculation.

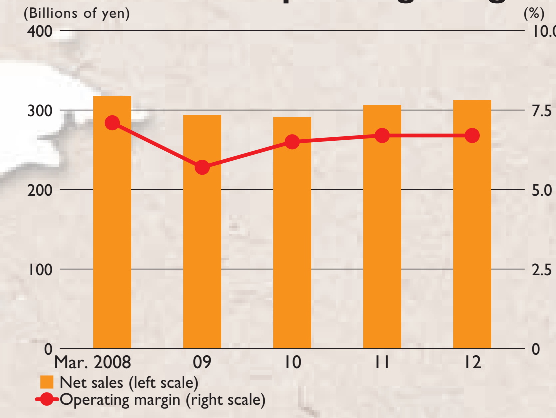
Sales Volume by Region in 2012



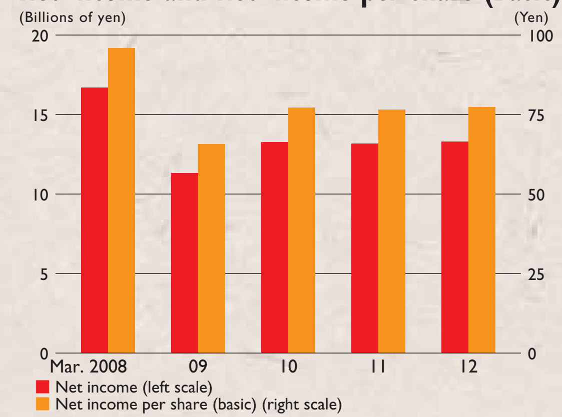


* The sales of bottles for the following countries are included: Uruguay (Brazil), Belize (Mexico), Canada (the United States), Luxembourg (Belgium), France (the Netherlands), Spain (the Netherlands), Ireland (the United Kingdom), Brunei (Singapore), and New Zealand (Australia).

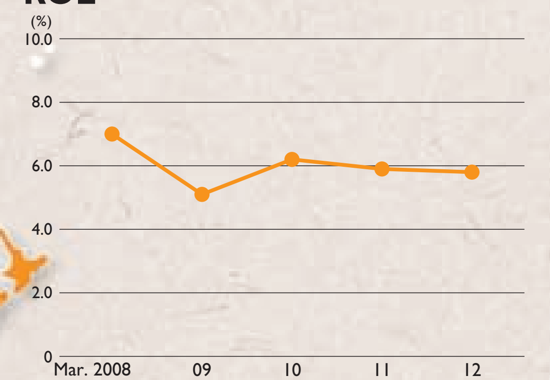
Net Sales and Operating Margin



Net Income and Net Income per Share (Basic)



ROE



Message from the Chairman and President

Sumiya Hori
Chairman and Representative Director
Chief Executive Officer (CEO)

Takashige Negishi
President and Representative Director
Chief Operating Officer (COO)

Delivering health and smiles to as many people as possible

Under the corporate philosophy of “We contribute to the health and happiness of people around the world through pursuit of excellence in life science in general and our research and experience in microorganisms in particular,” and through the principles of Shirota-ism, which serves as the bedrock of our operations, Yakult aims to evolve in tandem with local communities.

The founder of Yakult, Dr. Minoru Shirota, advocated “preventive medicine,” which emphasizes the importance of preventing illnesses rather than just treating them, and the idea that “a healthy intestinal tract leads to a long life,” which is the belief that by strengthening the intestinal tract—from which the body absorbs nutrients—we can live healthier, longer lives. Advocating these and other ideas, Dr. Shirota had a strong desire to contribute to better health for people in Japan as well as elsewhere worldwide with *Yakult*. We have actively promoted the value of *Lactobacillus casei* strain Shirota, Yakult’s unique proprietary Probiotic strain. Currently, the fermented milk drink *Yakult* is enjoyed by people in 32 countries and regions across the globe. The importance of the Probiotic strain, which provides health benefits to people, is expected to continue to grow in the future.

As a pioneer in the field of Probiotics, the Yakult Group will continue to not only communicate the superiority and safety of its products but also promote the research and development of new products to meet customers’ needs. Furthermore, while striving to improve the Group’s unique home delivery system to promote good health for as many people as possible, we will strengthen measures to improve product distribution to stores, in an effort to actively expand the Yakult business as a global brand.

Going forward, the business environment is expected to undergo drastic changes. Nonetheless, we aim to ensure sustained growth by continuing to adhere to our principles and roots, which represent the value of our existence as a company.

We invite you to expect results from this renewed pitch for growth.

August 2012

Sumiya Hori
Chairman and Representative Director
Chief Executive Officer (CEO)

Takashige Negishi
President and Representative Director
Chief Operating Officer (COO)

Yakult throughout the World

Guided by Shirota-ism and our corporate philosophy, which together serve as the Company's foundation, we aim to establish Yakult as a truly global brand.

Q

Reflecting on the Fiscal Year Ended March 31, 2012

Please summarize the business results for the fiscal year ended March 31, 2012.

A

Our international business performed strongly, and we achieved increases in revenues and income.

Although the business environment fluctuated wildly both in Japan and overseas during the year under review, we worked to build awareness and understanding of Probiotics, which constitutes the bedrock of our operations, while striving to communicate the superiority of our products. In addition, we sought to boost performance by taking steps to shore up our sales organization, research and develop new products, upgrade our production facilities, and vigorously enhance our overseas operations and pharmaceuticals business.

As a result of these efforts, we recorded consolidated net sales of ¥312.6 billion, up 2.2% from the previous fiscal year, while operating income climbed 2.0%, to ¥20.8 billion. Net income increased 0.9%, to ¥13.3 billion.

Several key points can be mentioned with regard to business performance during the year under review. In the domestic food and beverages business, we recorded declines in revenues and income for the full year despite a recovery from the impact of the Great East Japan Earthquake. In international business, in Asia and Oceania, our consolidated subsidiaries recorded robust increases in revenues and income, with the annual average for the number of dairy products sold per day rising 30.2% compared with the previous year's level. In the pharmaceuticals business, operating income remained generally flat due in part to the increase in research and development investment.

The Prospect for Business Management in the Future (1)

Q Please discuss current measures being taken in the food and beverages business.

A We aim to return to a growth trend in Japan as well as make the next leap forward in our international business.

Let us speak first about the domestic food and beverages business. During the year in review, the number of bottles of dairy products sold per day, which had been growing for four consecutive years, declined for the first time in five years due to the Great East Japan Earthquake. In the fiscal year ending March 31, 2013, guided by a basic policy of "seeking to further enhance corporate values," we will promote the value and appeal of our proprietary living *Lactobacillus casei* strain Shirota and *Bifidobacterium breve* strain Yakult more vigorously and thoroughly, by means of both home delivery and retail store sales channels, as we strive to return to a growth trend.

In regard to dairy products, we will further reinforce our main brands, the *Yakult* series and the *Yakult 400* series. We also aim to revitalize the drinkable yogurt brand *Joie* by renewing its design and launching special products for a limited time only. In the category of juices and other beverages, we have launched a new brand, *Mitsuboshi Factory*, targeting women in their 20s and 30s in particular, as we seek to attract new customers.

In terms of each channel, in our home delivery channel we will increase our focus on forging a close bond with communities to expand our business for the next generation. In our retail store channel, placing the greatest importance on retail stores and school and hospital meals, we will strengthen the bond with our business partners and customers to enhance our brand value.

With respect to sales companies, we will work to streamline their management by deepening our understanding of how to develop together with each community and discussing the matters associated with each community to form a new business model.

We would now like to discuss our international food and beverages business. The annual average number of bottles sold overseas per day exceeded 20 million bottles for the first time in 2011, which was a record-high sales volume. We continue to aim at establishing *Yakult* as a truly global brand.

In the Yakult business in China, sales volume is increasing steadily, showing a very strong sales performance. With the establishment of new sales bases in Xi'an and Changsha in 2012, our sales structure now comprises 21 bases. We are implementing on schedule our fundamental plan to boost the number of sales bases to 27 locations by 2015. Moreover, following Guangzhou, Shanghai and Beijing, we started operating home delivery sales in Tianjin from the end of March 2012.

Our business in Indonesia is also robust, maintaining double-digit increases in sales volume. Because of the rise in sales volume, we expect the plant's production capacity to soon reach its upper limit. Accordingly, we will start constructing a second plant with operation scheduled for the end of 2013, to promote market expansion in the future.

Although there are concerns over a decline in the domestic demand in Mexico and Brazil, we will strengthen our sales structures there by subdividing the existing areas where Yakult Ladies make deliveries and developing new customers as well as by expanding sales into unexplored local cities.

The Prospect for Business Management in the Future (2)

Q Could you discuss recent initiatives undertaken in the pharmaceuticals business?

A In the pharmaceuticals business we see new possibilities, including expansion of indications for *Elplat*, our core cancer chemotherapeutic agent.

The core product of our pharmaceuticals business, *Elplat*, is highly rated as a key drug for the treatment of advanced or recurrent colorectal cancer and for the adjuvant treatment of colon cancer after surgery. The price of *Elplat* came down by 15% beginning April 2012 as a result of repricing by the Central Social Insurance Medical Council of drugs whose market sizes had grown beyond manufacturers' initial expectations. To compensate for the price reduction, we are targeting a substantial increase in sales volume (up 25% year on year) for the fiscal year ending March 31, 2013.

Specific activities to boost sales include stepped-up efforts to obtain information on the usage of XELOX regimen approved for postoperative adjuvant chemotherapy of colon cancer in November 2011. The regimen is currently administered to only about 10% of patients in Japan, in contrast of those in Europe and the United States. We are accelerating the market penetration of the adjuvant treatment using *Elplat*, which shows higher efficacy than conventional drugs. In addition, we will focus on promoting the proper use of *Elplat* for patients with unresectable advanced or recurrent colorectal cancer, in an effort to make greater inroads into this segment.

To expand indications of *Elplat* further, we will complete a phase II clinical trial for pancreatic cancer, with the aim of applying for the approval in 2012. Additionally, we will complete the evaluation of a phase III clinical trial of *Elplat* for gastric cancer, with the aim of filing for the approval in December 2012; at the same time, we will accelerate development work for adjuvant treatment of gastric cancer by conducting a phase II clinical trial of XELOX regimen and by planning a phase II trial of SOX regimen.

To boost sales of drugs other than *Elplat*, our marketing will continue to focus on the oncological field, including actions to capture a greater share for cancer chemotherapeutic agent *Campto* in Japan and to increase marketing channels for nucleoside analog used as cancer chemotherapy, *Gemcitabine* Yakult. Outside Japan, we will continue to further differentiate *Campto* from its generic drugs.

Long-Term Vision

Q Please tell us about future prospects in the medium to long term.

A Guided by "Yakult Vision 2020" formulated in 2011, we will make a comprehensive effort to grow as a global company.

The Yakult Group has formulated and implemented "Yakult Vision 2020," a long-term vision covering fiscal 2011 to 2020. The goal of this vision is to achieve sustainable growth as a global company while maintaining the consistency in our conventional business management, while responding to changes flexibly regardless of the business environment. Based on this long-term vision, the Yakult Group has built a business portfolio that divides the global market into four stages (development, growth, maturation and reconstruction). Allocating business resources and implementing strategies in an optimal manner, we will disperse

business risks and create a cycle of sustainable growth.

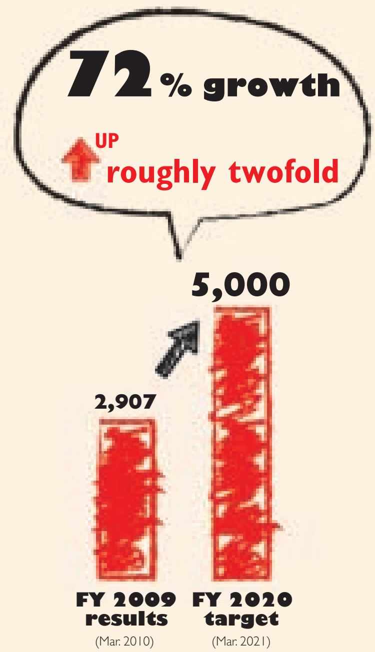
Specifically, in the markets at the development stage and growth stage, we will further cultivate existing markets while exploring new markets to boost the recognition of Yakult as well as contribute actively to people's health and happiness through the provision of products. In the domestic market, at the maturation stage and reconstruction stage, we will develop a new business model with health services as the nucleus, starting with the dairy product business. We will then expand the business model itself on a global basis, leading to a recovery in growth.

Our goal is to achieve net sales of ¥500 billion and operating income of ¥50 billion in 2020.

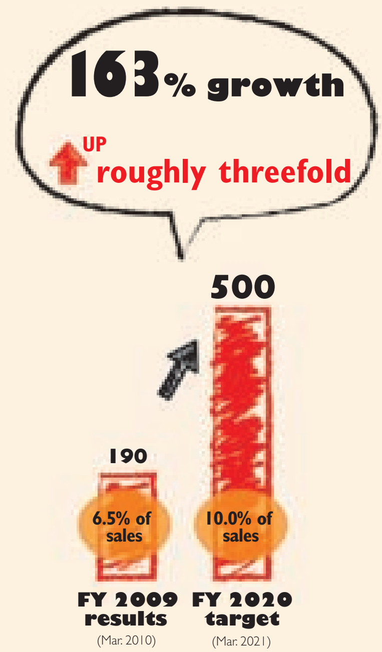
QUANTITATIVE GOALS

Number of Bottles of Dairy Products Sold (10,000 bottles/day)

Consolidated Sales (100 million yen)



Consolidated Operating Income (100 million yen)



To Shareholders

Q What is your message for Yakult shareholders with regard to shareholder returns, among others?

A Going forward, we will meet shareholders' expectations through business expansion and improvement in profitability, as well as by delivering steady shareholder returns.

We give top priority to the payment of a higher and stable dividend to shareholders by setting the annual dividend at a base of ¥20.0 per share. The total dividend paid is based on business performance for the year, after comprehensively taking into account the need for funds for future business expansion and increasing earnings, as well as the financial position.

With respect to the year-end dividend for the year under review, in addition to payment of a standard dividend of ¥20.0 decided based on the policy just described, we added a commemorative dividend of ¥2.0 for our 75th anniversary, which we celebrated in the previous fiscal year. As a result, we paid an annual dividend of ¥22.0 per share.

Furthermore, in the current fiscal year, we plan to pay an annual dividend of ¥23.0 per share, an increase of ¥1.0 from the year under review, to return profits to shareholders.

On a final note, the Yakult Group has been operating its business for 77 years under the corporate philosophy of delivering health to people around the world through *Lactobacillus casei* strain Shirota. We believe that continuing to maintain this spirit for many years to come is the core value of the Company's existence.

We ask our shareholders and investors for their continued support and understanding.

Special Feature

Globally Popular Yakult: Delivering Health and Smiles to as Many People as Possible

Since the start of overseas operations in Taiwan in 1964, Yakult has helped protect human health in 31 countries and regions in the world (excluding Japan). We will expand business operations by thoroughly conducting activities based on our corporate philosophy, "We contribute to the health and happiness of people around the world through pursuit of excellence in life science in general and our research and experience in microorganisms in particular."

History of Yakult's International Business

Since our founder, Dr. Minoru Shirota, had a dream to "protect human health throughout the world," it was natural for Yakult to expand its operations to overseas markets.

Through three stages, Dr. Shirota's dream has led to the development of today's international business.

In the first stage (1964–1990), we established a foundation for the international business, entering markets in nine countries with a focus on Asia and Latin America. The hygienic environment in these countries and regions was poor, causing infectious diseases and other problems. *Yakult*, our product embodying Shirota-ism (preventive medicine, the link between a healthy intestinal tract and a long life and offering products at a price affordable to everyone), was very well received by people in these regions.

While cold chain distribution was not developed at the time, the Yakult Ladies delivered *Yakult* directly to customers, promoting our product and service values. Furthermore, the introduction of the Yakult Lady system created employment opportunities for women, playing a major role in helping Yakult to take root in local communities.

In the second stage (1991–2000), we made a full-fledged entry into the European market, gaining international recognition. We expanded into 11

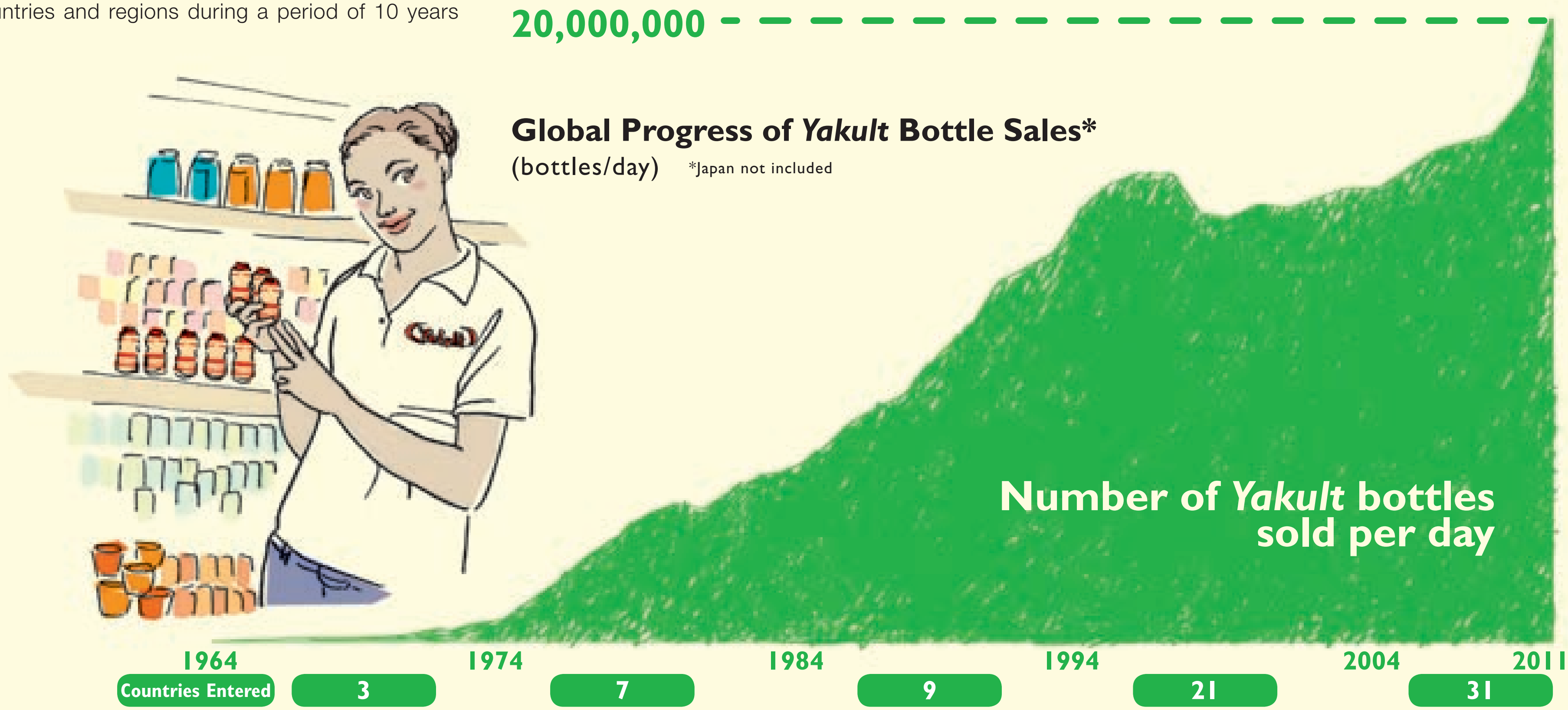
countries during a period of nine years, and our entries into nations with advanced dairy industries such as the Netherlands were particularly significant. To promote business operations, we made efforts to spread *Yakult's* product values and Shirota-ism through public relations in the mass media and face-to-face communication through demonstrations at stores. Furthermore, a global dairy product company in Europe launched a product with a concept similar to that of *Yakult*. This unprecedented competitive environment indicated that Shirota-ism was internationally recognized through Probiotics, forecasting the beginning of a new stage in the establishment of a global brand.

In the third stage, we entered markets in 11 countries and regions during a period of 10 years between 2001 and 2010. Making use of international competitiveness and expertise that we had accumulated by the second stage, we entered China, India and the United States, the three most populated countries in the world, with the goal of establishing Yakult as a truly global brand. In particular, the start of full-fledged sales operations in China (with the world's largest population) as well as in the United States (the world's economic giant) was a major epoch in our history. We also expanded sales territories in the countries and regions into which we had already entered, deeply cultivating the markets so that *Yakult* could be enjoyed by as many customers as possible.

With the fourth stage already begun last year, we consider this stage an important phase in accelerating the growth of the international business, making 2013 a mid-stage year.

As of March 2012, *Yakult* and other products are manufactured and sold in 31 countries and regions (excluding Japan), with an average of approximately 20.10 million bottles of *Yakult* sold overseas per day during the year counted from January.

For the details of the current and future international business, see "Future Strategies for Yakult's International Business" below.



Yakult's Philosophy for International Business

Yakult is a product for consuming live cultures of *Lactobacillus casei* strain Shirota, a beneficial bacteria strain unique to our company. The concept of drinking live bacteria had not existed in any country until Yakult was founded in Japan. In other words, there was no market. Therefore, the top priority of Yakult's strategies overseas is to spread the knowledge that *Lactobacillus casei* strain Shirota is a strain of bacteria that promotes health. This begins by explaining that there are both good and bad bacteria in the intestinal tract, and that drinking *Yakult* improves the balance of the bacteria and helps maintain the intestinal tract's health.

To explain this, it is necessary to make steady efforts to convey the values of *Yakult* and promote understanding. In addition to explaining the products and scientific facts on the bacteria by visiting individual homes and demonstrating products at stores, steady grassroots efforts are essential, such as implementing public relations activities in elementary schools, kindergartens and community centers and giving presentations to hospital staffs such as nutritionists.

Yakult calls these efforts value dissemination activities. Unlike the "hunting" approach to marketing, which pursues short-term results through major advertising campaigns, these value dissemination activities take a "farming" approach to marketing, which requires repeated steady and thorough efforts as if cultivating a field. Since its establishment, Yakult has consistently implemented the latter, and for overseas business this philosophy is unchanged. First, we aim to thoroughly understand the culture and customs of a country in which we operate, and then implement activities to clearly explain and promote the understanding of Yakult's philosophy. Through such activities, we create our customer base and establish an overseas market from the ground up.

Implementing the Same Promotional Activities Overseas as Those in Japan

Yakult is a product for daily consumption. Encouraging this daily routine requires meeting directly with customers to convey the value and promote understanding of *Yakult*. The Yakult Ladies play a vital role in fulfilling this mission.

For nearly 50 years, delivery by Yakult Ladies has been a constant since the Yakult Lady System, which is unique to Yakult, was introduced in 1963 in Japan. With the spirit of "Anytime, anywhere and even single bottles," home delivery by Yakult Ladies was born of the desire to protect human health and encourage people to drink one bottle of *Yakult* a day. Currently, Yakult Ladies are active in many countries and regions, numbering approximately 41,000 as of the end of March 2012.

Visits to individual homes are difficult in some countries and regions, and there are no customs for home delivery in certain countries and regions. In such cases, we train local staff members and have them give a clear explanation of our products to each customer at the store while encouraging tasting, providing opportunities to enjoy product values as well as benefits of the bacteria.

Ensuring "Japanese Quality" Overseas

Since *Yakult* (which contains live *Lactobacillus casei* strain Shirota) is a dairy product, it cannot be preserved for a long time. Because of this, local production is essentially required.

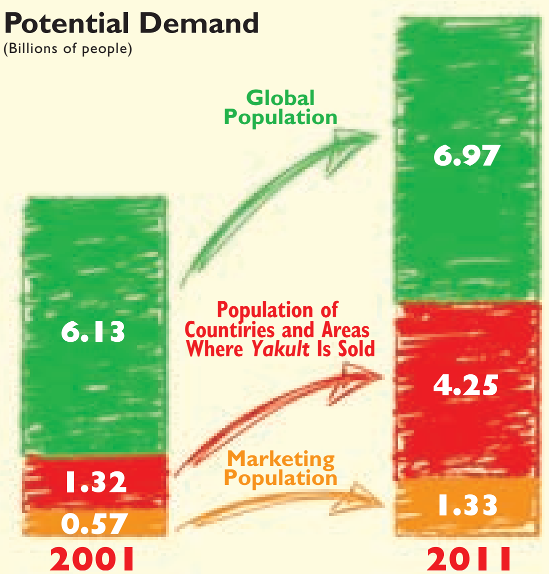
Currently, there are 23 plants in the world, excluding Japan, that produce *Yakult* and other products daily for their respective areas. The plants regularly receive the supply of *Lactobacillus casei* strain Shirota, the key ingredient, from the Yakult Central Institute for Microbiological Research in Japan. Using raw materials that have cleared a strict quality check, they manufacture products under the same high-level hygiene control conditions as those in Japan while ensuring that standardized strict quality standards are maintained.

Future Strategies for Yakult's International Business

International Market with a Large Potential for Growth

There are over 190 countries in the world with a population of approximately seven billion. While we currently sell Yakult products in 31 countries and regions, we will continue to conduct market research and determine the countries to enter so that we can deliver health to as many people as possible.

Potential Demand
(Billions of people)



Expansion and Further Cultivation of Existing Markets

Approximately 4.3 billion people live in the 31 countries and regions where we currently operate our business. Of these, our marketing population covers approximately 1.33 billion people, or approximately 31% of the total population in these countries and regions, which means that existing markets still offer a substantial potential for growth. We will promote sales activities so that *Yakult* is available to as many people as possible and as soon as possible.

With regard to further cultivation of sales territories in existing markets, we will gauge our market penetration rate for each country and region by measuring the number of bottles sold per population, as well as support promotional activities implemented by Yakult Ladies and sales representatives. At the same time, we will subdivide the areas managed by sales bases in each country or region at appropriate times, according to how mature the market is, carefully managing the markets and diversifying products as needed.

For example, China has started to rise rapidly as a market. The market penetration rate of *Yakult* in China is an average of 0.8%. When compared with 3.94% in Mexico, which we entered before China, it is clear that the growth potential is huge in the Chinese market.

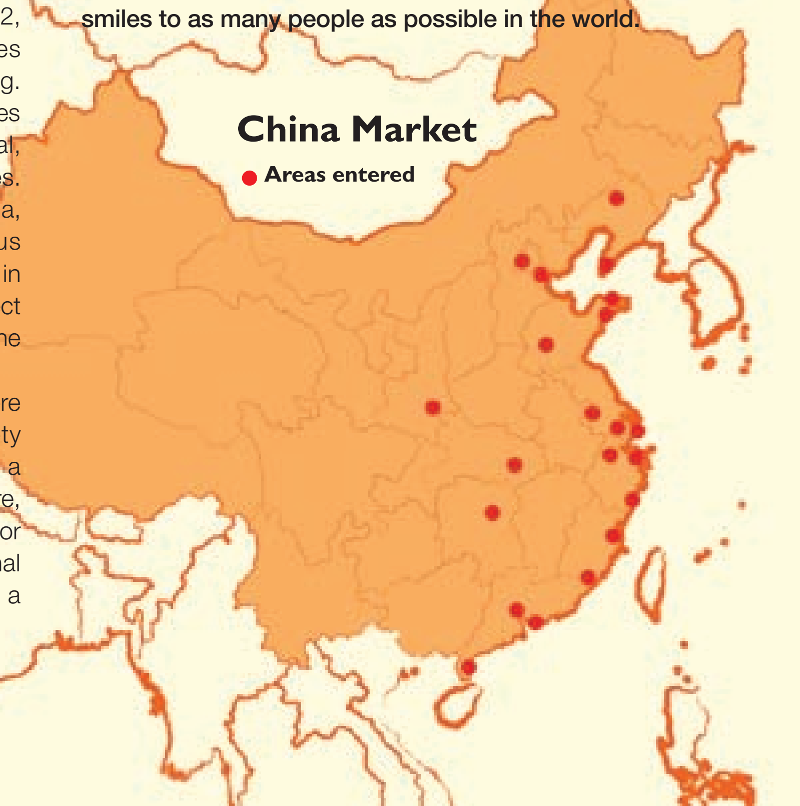
In China, we started sales in Guangzhou in 2002, followed by the establishment of additional sales bases in coastal areas such as Shanghai and Beijing. In 2012, we launched operations in the interior cities of Xi'an and Changsha, following Wuhan. In total, we have established sales bases in 21 major cities. In Guangzhou, the first market we entered in China, sales have been strong, exceeding the previous year's sales by more than 30%, with an increase in the market penetration rate to 1.57%. We also expect the market penetration rate to continue to rise in the markets that we entered later.

In China, as living standards have improved, there has been an increasing awareness of food safety and health, which is providing a boost to *Yakult*, a brand known for its safety and reliability. In the future, promoting the expansion of sales bases in the interior region, we will further strengthen our organizational structure for the inland provinces, planning to build a structure consisting of 27 bases by 2015.

As in China, we will also focus on other markets, including Indonesia, Brazil and other emerging countries. The previous year's market penetration rates were 1.41% in Indonesia and 1.69% in Brazil, suggesting a substantial growth potential in these countries. Taking advantage of rising health awareness, we will continue to improve our sales structure, which will allow us to offer meticulous services, to further cultivate the markets.

Along with an increase in sales volume, we have been improving the system for supplying products. In addition to the plants in Guangzhou and Shanghai, we began operations at the plant in Tianjin, our third location in China, in August 2011. Furthermore, the construction of a second plant in Guangzhou is also under review. We are moving forward with construction of a plant in the United States and a second plant in Indonesia, aiming to systematically reinforce our business in terms of both manufacturing and sales.

Yakult will continue to create markets through steady, thorough efforts to deliver health and smiles to as many people as possible in the world.

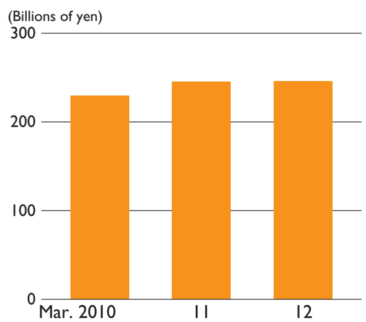


Note: Sales by business segment includes intersegment transactions.

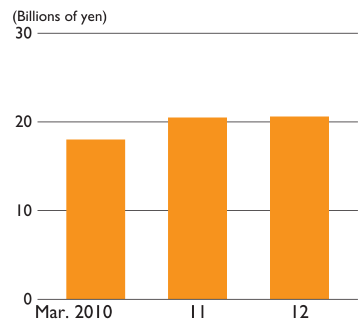
At a Glance

Japan

Net Sales



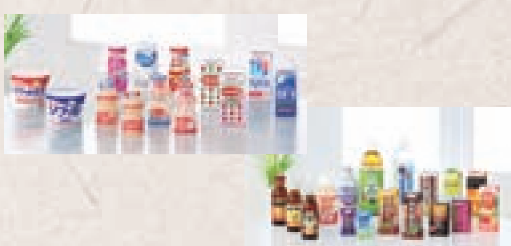
Operating Income



Yakult pursues several businesses in Japan. In addition to the Food and Beverages business centered largely on Probiotic products, our Pharmaceuticals business entails manufacture and sales aimed at developing Yakult into a pharmaceuticals specialist in the treatment of cancer. Cosmetics and a professional baseball team, meanwhile, are central operations in our "Others" business segment. For the fiscal year ended March 31, 2012, net sales in Japan came to ¥245.9 billion.

Food and Beverages

In the Food and Beverages segment, we sell both Probiotic products and Juices and Other Beverages through our home delivery and retail store sales channels. In Probiotic products, business activities are centered on *Yakult*, which delivers live cultures of *Lactobacillus casei* strain Shirota to the intestinal tract. In Juices and Other Beverages, business operations emphasize products with functional properties. For the fiscal year ended March 31, 2012, net sales in Food and Beverages were ¥188.0 billion.

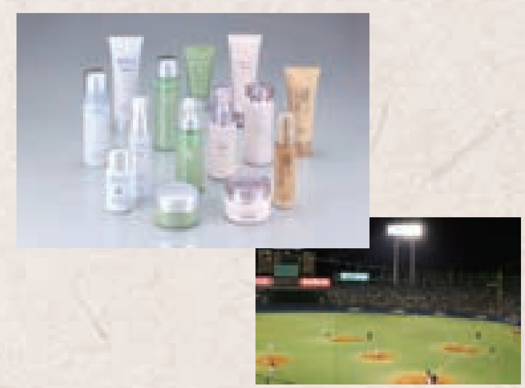


Pharmaceuticals

In Pharmaceuticals, Yakult specializes in the oncology business, especially focused on sales and marketing of *Campto* and *Elplat*, two key drugs for the treatment of colorectal cancer. Net sales in this segment for the fiscal year ended March 31, 2012 were ¥39.4 billion.

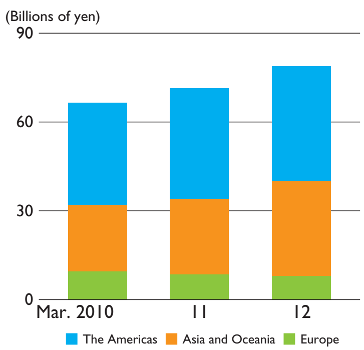
Others

In Others, the Company is involved in the cosmetics business, founded on the beneficial effects of lactic acid bacteria for the skin, as well as management of a professional baseball team, the Tokyo Yakult Swallows. Net sales in this segment for the fiscal year ended March 31, 2012 were ¥18.6 billion.

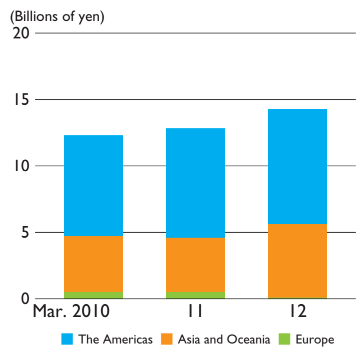


International Business

Net Sales



Operating Income



Outside Japan, we are developing the Company's Probiotics operations in three regions—the Americas, Asia and Oceania, and Europe—with the goal of establishing Yakult as a truly global brand.

As of March 31, 2012, Yakult Probiotic drinks and other products are sold in 31 countries and regions outside of Japan, with an average of 20.02 million bottles of *Yakult* sold per day during the year under review.

For the fisacl year ended March 31, 2012, the International Business recorded sales volume of 11.6 million bottles per day, and sales of ¥79.0 billion.

The Americas

In addition to Brazil and Mexico, where Yakult has a long-established presence, the Company recently made a full-fledged advance into the United States, and unit sales there are on a steady rise. In the Americas, net sales for the fiscal year ended March 31, 2012 were ¥39.0 billion.

[Operating Countries and Regions]

Brazil, Uruguay, Mexico, Belize, Argentina, the United States, Canada

Mexico

Asia and Oceania

Yakult's first foray into the region, and first overseas expansion, was in Taiwan in 1964. More recently, the Company has been developing business in population-rich China and India. In Asia and Oceania, net sales for the fiscal year ended March 31, 2012 were ¥32.0 billion.

[Operating Countries and Regions]

Taiwan, Hong Kong, Thailand, South Korea, the Philippines, Singapore, Brunei, Indonesia, Australia, New Zealand, Malaysia, Vietnam, India, China

China (Guangzhou)

Europe

Retail stores are the center of business activities in Europe, which Yakult entered in the 1990s. Net sales for the fiscal year ended March 31, 2012 came to ¥8.0 billion.

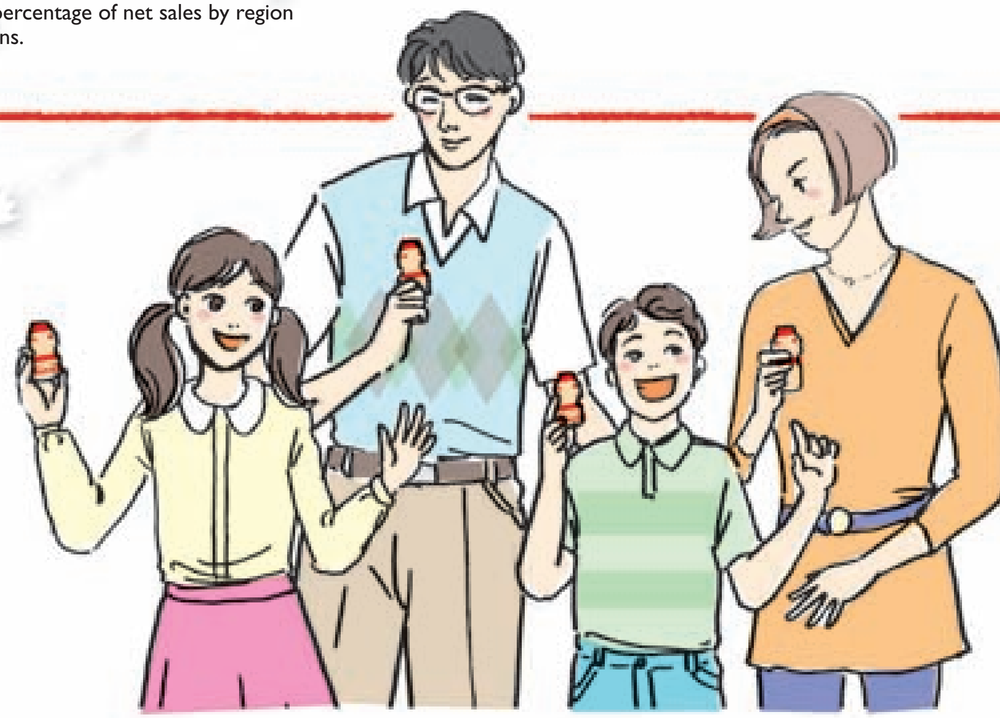
[Operating Countries and Regions]

The Netherlands, Belgium, Luxembourg, the United Kingdom, Ireland, Germany, Austria, Italy, France, Spain

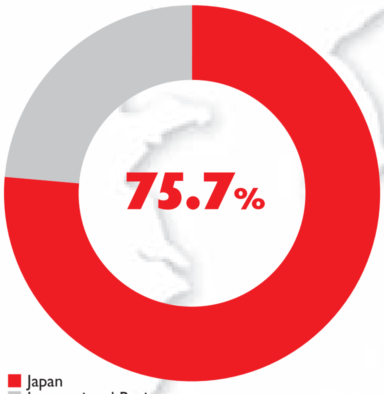
United Kingdom

Note: Sales by business segment and percentage of net sales by region include intersegment transactions.

Japan



Percentage of Net Sales by Region (%)



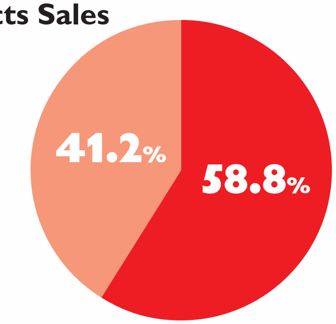
Food and Beverages

Yakult *Yakult 400* *Joie* *Mil-Mil* *Pretio*

In Probiotic products, Yakult launched activities to thoroughly promote the value and appeal of our proprietary living *Lactobacillus casei* strain Shirota and *Bifidobacterium breve* strain Yakult.

In our home delivery channel, we strengthened efforts to develop loyal customers for *Yakult 400* and *Mil-Mil* series products via sales activities that encourage people to try our products through samples or trial use. In our retail store channel, Yakult sales promotion staff took steps to highlight the value and appeal of products, centered on the fermented milk drink *Yakult* and *Mil-Mil*, a drinkable yogurt containing Bifidobacteria. We also focused on the marketing of the fermented milk drink *Yakult*

Breakdown of Probiotic Products Sales by Channel (%)



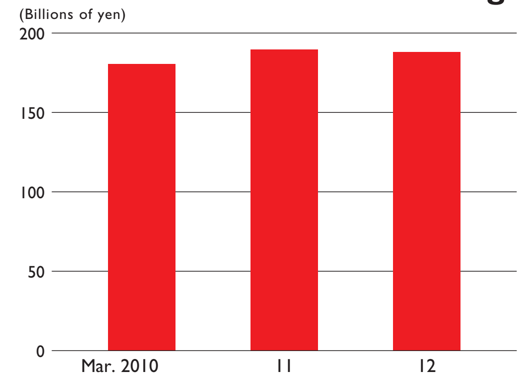
Calorie Half, which contains fewer calories and tastes less sweet than the regular *Yakult*, after the product was revamped in September 2011. Another product that underwent renewal was *Pretio*, which has been designated by the government as a "Food for Specified Health Uses" and designed for people with relatively high blood pressure. To boost sales, we staged a synchronized ad campaign titled "Try Four Weeks and See for Yourself" across TV, newspapers, the Internet and other media, as well as in-store promotions throughout Japan, beginning in January 2012.

Nevertheless, our full-year sales fell slightly short of the level achieved in the previous fiscal year, reflecting the repercussions of the Great East Japan Earthquake, despite a year-on-year increase for the second half of the fiscal year as the product distribution structure was restored.

In Juices and Other Beverages, we completed the revamping of *Toughman*, our mainstay brand, on the occasion of the product's 30th anniversary in May 2011. Activities to boost the *Toughman* brand continued throughout the year under review and included the launch of *Toughman Super* in October. Efforts to capture a greater share in the soft drink market included the product renewal for *Milouge Ca Plus* in April 2011, followed by the package renewal for *Milouge Soda* in June. To drive sales growth in the functional beverage and food sphere, we launched *Plum Drink with Galacto-oligosaccharide*, a "Food for Specified Health Uses," and the *Gyutto Kenko Citrulline* functional drink in September and October, respectively. The enhanced product lines in the functional beverage and food category resulted in a year-on-year increase in sales for Juices and Other Beverages as a whole.

As a result, net sales in the Food and Beverages segment decreased to ¥188.0 billion, or 0.9%, from the prior fiscal year.

Net Sales of Food and Beverages



Pharmaceuticals


CAMPTO 40mg for I.V. infusion


ELPLAT I.V. INFUSION SOLUTION 100mg


Gemcitabine for I.V. infusion 200mg「Yakult」

In Japan, we focused on promoting the proper use of the cancer chemotherapeutic agent *Elplat*, actively sponsoring lectures and presentations targeting healthcare professionals in this area. Similarly, in November 2011, we obtained approval for a change in *Elplat's* dosage and administration in connection with the postoperative adjuvant chemotherapy for colon cancer patients. Thereafter, we redoubled efforts to recommend combination chemotherapy of *Elplat* and oral anticancer agent *Capecitabine*, known as XELOX regimen, which offers convenient dosing to patients and medical practitioners. In addition, we sought higher sales and market share by specializing in oncology through by activating the marketing and sales

channel expansion for cancer chemotherapeutic agent *Campto* and others.

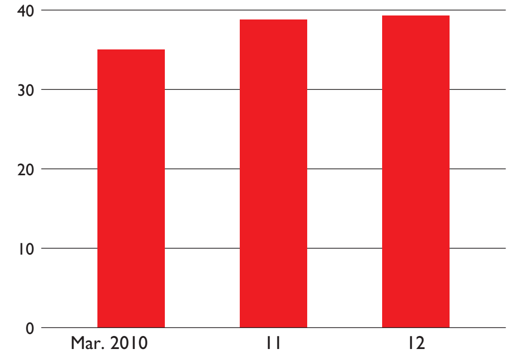
In April 2011, an exclusive license was granted by 4SC AG for the development and commercialization in Japan of oral HDAC inhibitor *Resminostat*, whose patent rights and expertise are owned and under development by 4SC as an anticancer drug. Furthermore, we concluded an option agreement in November 2011 with Liv Tech Inc., for LIV-2008, and humanized a monoclonal anti-cancer antibodies program under the condition that when option rights are exercised, we will obtain exclusive license for the development, manufacturing and commercialization of LIV-2008 antibodies worldwide. We are expanding the development pipeline for these drugs as well as for multi-kinase inhibitors *PR509* and *PR610* by Proacta Inc. and Akt inhibitor *Perifosine* by Æterna Zentaris Inc., for which Yakult signed agreements, in an effort to strengthen these drugs' position in the cancer treatment area.

Outside Japan, we worked hard to boost sales of *Campto*, whose market share has declined since the price erosion caused by generic drugs.

As a result, brisk growth in domestic sales overcame a year-on-year drop in overseas sales, resulting in an increase in net sales in the Pharmaceuticals segment of 1.3%, to ¥39.4 billion.

Net Sales of Pharmaceuticals

(Billions of yen)



Others

In our cosmetics operations, we continued to promote the value and appeal of basic skin care products—namely, our core brands *Parabio*, *Revecy* and *Revecy White*—based on home visits to counsel customers on cosmetics.

In an attempt to better address customers' growing needs for complexion lightening care, we revamped the *Revecy White* series in June 2011 with the introduction of the new *Revecy White "Transparent White"* series featuring a new moisturizing formula.

To take customer satisfaction a step further and to drive sales growth, in November 2011 we rolled out *Agetics Moist Repair Essence*, which is designed to reduce the appearance of dry fine lines and wrinkles. We followed this with the release in January 2012 of *Lactdew S.E. Hyalurongel* featuring proprietary moisturizing ingredients.

In our professional baseball team operations, the Tokyo Yakult Swallows competed for the championship during the regular season and advanced to the Climax Series. Attendance at Jingu Stadium rose from the previous fiscal year, bolstered by a variety of fan appreciation events and active information dissemination.

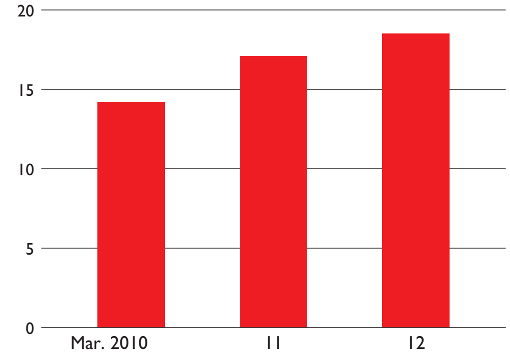
As a result, the Others segment saw net sales rise 8.0%, to ¥18.6 billion.

Parabio

Revecy White

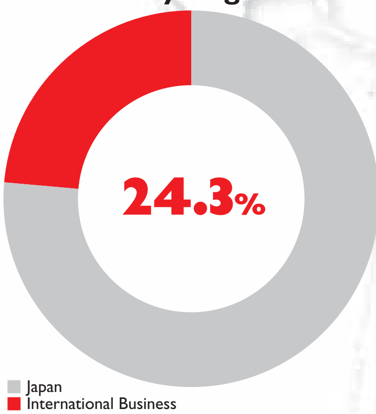
Net Sales of Others

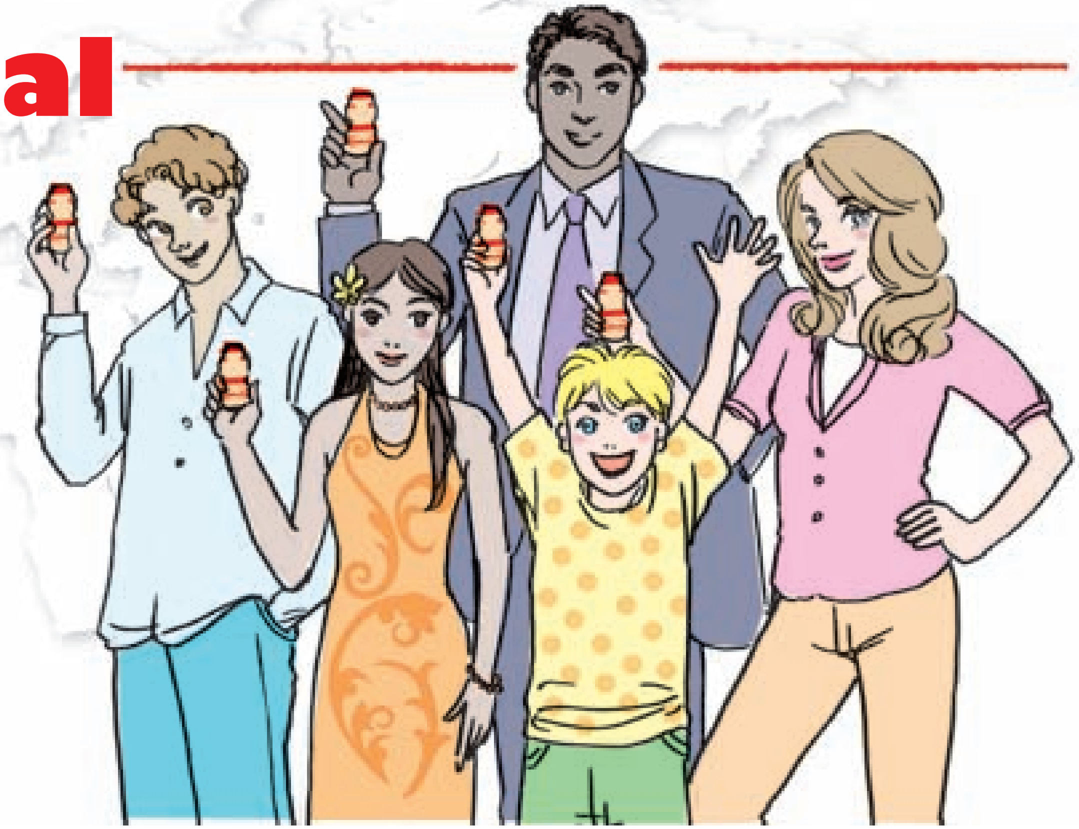
(Billions of yen)



International Business

Percentage of Net Sales by Region (%)





The Americas

Brazil, Uruguay, Mexico, Belize, Argentina, the United States, Canada

Brazil Mexico Argentina United States

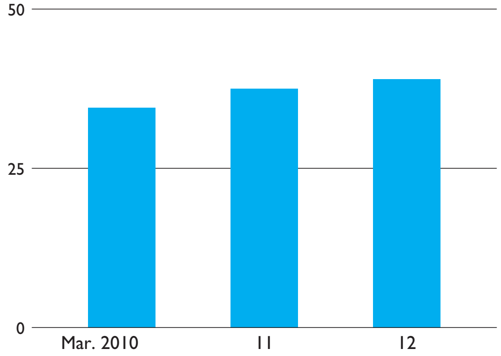
United States

In the Americas, Yakult manufactures and sells the fermented milk drink *Yakult* and other products in Brazil and Mexico, and imports products for sale in Argentina, the United States and other countries.

In the United States, preparation is underway for the construction of the first Yakult production facility in that country. It will be situated in Fountain Valley, California and is scheduled to commence production in the fall of 2013. Net sales in the Americas increased to ¥39.0 billion, up 3.9%, from the prior fiscal year.


Brazil

Net Sales in the Americas



Asia and Oceania

Taiwan, Hong Kong, Thailand, South Korea, the Philippines, Singapore, Brunei, Indonesia, Australia, New Zealand, Malaysia, Vietnam, India, China

Indonesia

Australia

China (Shanghai)

India

Vietnam

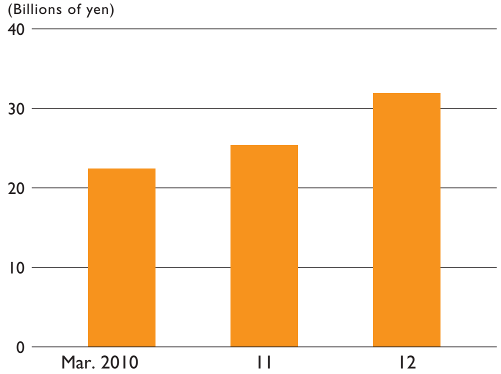

Vietnam

In Asia and Oceania, Yakult manufactures and sells the fermented milk drink *Yakult* and other products in Hong Kong, Singapore, Indonesia, Australia, Malaysia, Vietnam, India, China and other countries.

In China, in an effort to boost sales in the interior, we opened branch offices in Xi'an, Shaanxi Province in February 2012 and Changsha, Hunan Province in March, following the branch opening in Wuhan, Hubei Province. In August 2011, our third production facility in China located at Tianjin Yakult Co., Ltd. began production of *Yakult*. A second production plant is planned for Guangzhou Yakult Co., Ltd. in anticipation of consistent sales growth in the provinces of Guangzhou and Hainan.

In India, sales of *Yakult* began in the city of Hyderabad in February 2012 and Chennai in April 2012 via the retail store channel. To disseminate the Probiotics concept to a broad spectrum of

Net Sales in Asia and Oceania



people, we established the Yakult India Microbiota and Probiotic Science Foundation, which hosted a probiotics symposium in December 2011.

In Thailand, two production facilities under Yakult (Thailand) Co., Ltd., an associated company accounted for by the equity method, suffered damage caused by flooding in October 2011, and its operations were suspended. It resumed shipments in December 2011. Net sales in Asia and Oceania increased to ¥32.0 billion, up 25.4%, from the prior fiscal year.


Hong Kong

Europe

The Netherlands, Belgium, Luxembourg, the United Kingdom, Ireland, Germany, Austria, Italy, France, Spain

Italy

The Netherlands

Belgium

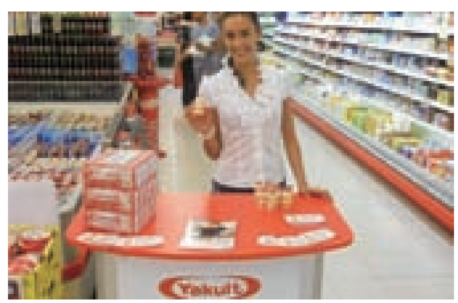
United Kingdom

Austria

Italy

In Europe, Yakult manufactures the fermented milk drink *Yakult* and other products in the Netherlands, and sells them in the Netherlands, Belgium, the United Kingdom, Germany, Austria, Italy and other countries.

Overall European sales in yen amounts were impacted by the yen's strength, but sales in the Netherlands and Italy showed solid growth. Net sales in Europe decreased to ¥8.0 billion, down 7.0%, from the prior fiscal year.



Austria

Net Sales in Europe

(Billions of yen)

As a leading Probiotics company, Yakult believes it can fulfill its social responsibilities by putting into practice its corporate philosophy of "We contribute to the health and happiness of people around the world through pursuit of excellence in life science in general and our research and experience in microorganisms in particular." This is accomplished through the principles of Shirota-ism, which we have followed since the founding of the Company. At the same time, considering the critical situation that the global environment is in, we recognize that it is an extremely important issue for us to create a resource-recycling, sustainable society and that this is one of the responsibilities we must fulfill.

The Environment

Yakult first established an internal organization dedicated to preserving the global environment back in November 1991. This was followed in June 1997 by the creation of the "Yakult Basic Policy on the Environment," which encompasses the entire Group. Guided by the environmental philosophy and directives for action found in this policy, we promote environmental protection activities in every aspect of our business operations. In March 2004, our directives for action were revised to make these guidelines more specific. Furthermore, to contribute to the conservation of biodiversity, we revised the directives in January 2010. For Yakult, a company that thrives on the bounty of nature represented by the *lactobacillus* in our products, we have spelled out our stance that being mindful of the global environment and biodiversity is indispensable to conducting sustainable corporate activities.

In January 2000, the Company drafted the first stage plan of the "Yakult Environmental Action Plan," and starting from the fiscal year ended March 31, 2001 we have implemented environmental protection measures across all business areas, including R&D, production, sales and administration, to reduce the environmental burden caused by our business activities. Since the fiscal year ended March 31, 2011, we have implemented the fourth stage of our plan, which includes measures for reducing greenhouse gas emissions and waste, and cutting the volume of printer paper the Company uses.

In recognition of the need to continuously implement such activities in tandem with business operations, in March 2004 we attempted to transform all of our Group companies in Japan into "green companies" by 2010. In this way, we established the "Yakult Eco Vision 2010," which aims to contribute to the preservation of the global environment and the formation of a sustainable society and has produced successful results. This was followed by the start of "Yakult Sustainable Ecology 2020" from the fiscal year ending March 31, 2013 to the target year of 2020. While describing the future of the Company in specific terms according to the three aspects of "realization of a low-carbon society," "promotion of efficient use of resources" and "preservation of biodiversity," this aims to form a sustainable society in harmony with our stakeholders. In the fiscal year ending March 31, 2013, we will implement activities for the realization of "Yakult Sustainable Ecology 2020."

In the fiscal year ended March 31, 2012, Yakult carried on its initiatives from the previous year, continuing to introduce renewable energy with solar and wind power generation and other forms, implementing greenhouse gas reduction efforts at dairy product plants and in logistics operations, striving to achieve zero waste emissions, and promoting fuel conversion. All these initiatives produced successful results. Every year since the fiscal year ended March 31, 1995, the entire Yakult Group has conducted the Yakult Environmental Protection Campaign as part of environmental education. More than 110,000 people have participated since the inception of the program, and it is believed that the Company has had a considerable effect in steadily increasing environmental consciousness and social contributions among the Yakult Group employees.

Community Activities

Promoting Reconstruction Support

As part of reconstruction support efforts in response to the Great East Japan Earthquake, Yakult donated combined-treatment septic tanks using *Yakult* bottles to three temporary medical-care facilities in the affected areas of Iwate Prefecture. Yakult has been committed to assisting with the efforts through the provision of the system and the defrayment of incidental expenses incurred by the installation and operation when the Iwate Prefectural authorities set up the temporary medical-care facilities.

In this system, *Yakult* bottles with their bottoms removed are placed in wastewater where various types of microorganisms take up residence on the *Yakult* bottles. These microorganisms break down and digest the substances that contribute to water pollution. The system has been introduced into the Company's dairy product plants, and has achieved considerable progress in river and pond treatment projects conducted by the national and local governments.

Yakult bottles to be used for combined-treatment septic tank

Initiatives by the Yakult Ladies

Since 1972, the Yakult Ladies have been carrying out "Courtesy Visit Activities," which entail checking on the well-being of elderly people living alone and chatting with them while delivering Yakult products. In September 2011, as part of this initiative, the Yakult Ladies presented elderly people living on their own with flowers and a message card. It is the seventh instance of this program, and because the program has brought such joy both to the Yakult Ladies presenting the flowers and to elderly recipients alike, we plan to continue these activities in the hope that everyone involved will continue to enjoy happy and healthy lives.

The Yakult Ladies also contribute to safety and peace of mind in local communities by organizing crime prevention and safety patrols and maintaining contact with the police and local governments.

Courtesy Visit Activities

Public Access to Plants

To deepen people's understanding of Yakult's products and the Group's commitment to environmental awareness and safe, reliable products, we conduct tours of Yakult Honsha and other Group company plants. In 2011, tours were held at all domestic plants, except at those where tours were temporarily suspended due to equipment work, and approximately 220,000 people from the general public participated. Plant tours also take place at nearly all overseas plants. In addition, each year we hold plant festivals, and invite the local community and the families of our employees to participate, with the aim of improving relations with local communities. In 2011, a total of about 30,000 people participated in these festivals.

Welcome festival at the Plant

Establishing a Science Foundation in India

Yakult and Danone of France established the Yakult India Microbiota and Probiotics Science Foundation, as part of the activities undertaken by the Global Probiotics Council, which was formed jointly by the two companies. The objectives of the foundation are to promote Probiotics research in India, exchange scientific knowledge, and disseminate the concept of Probiotics over a wide area. Yakult and Danone have co-sponsored the Probiotics Symposium in India every year since 2007 with the aim of spreading and promoting probiotics. Going forward the symposium will be sponsored by the newly established Yakult India Microbiota and Probiotics Science Foundation.

In December 2011, the Foundation's first symposium was held under the theme of "Health Impact of Probiotics — Vision and Opportunities." Participants included internal medicine physicians, pediatricians, and microbiologists in India.

Since our founding, Yakult's R&D activities have vitally underpinned its ability to create products that promote good health today and in the future. The R&D Division pursues fundamental research in life science aimed at developing and applying basic materials in food, pharmaceuticals, cosmetics and other areas.

Lactobacillus casei strain Shirota

The Yakult Central Institute and the Yakult Honsha European Research Center

Located in Kunitachi, Tokyo, since 1967, the Yakult Central Institute for Microbiological Research, originally established in Kyoto in 1955 as the Shirota Research Institute, is a cutting-edge research facility in the Probiotics field investigating life science for the benefit of human health.

The study of useful microorganisms, particularly intestinal microflora, is the guiding theme of research, with the institute having many achievements, including the discovery and use of lactic acid bacteria with high levels of functionality.

The Yakult Central Institute has undergone building renovation and additions, as well as the construction of new buildings, including a new food research building equipped with the latest in laboratory facilities that was completed in April 2010. We plan to construct four additional new research buildings (for research management, pharmaceuticals and cosmetics, basic studies, and quality and technological development) slated for completion in 2015. Designed to blend in perfectly with its surroundings of lush green fields, the Yakult Central Institute will be enhanced with more cutting-edge facilities to allow researchers to efficiently carry out developmental projects and joint research.

The Yakult Honsha European Research Center for Microbiology, ESV (YHER) was established in Ghent, Belgium, in May 2005. YHER is working to accumulate scientific evidence on the benefits of drinking our Probiotic products. By establishing a research base in Europe, the birthplace of the Probiotics concept, our goal is to support global business expansion encompassing not only Europe, but also the Americas and Asia.

Organization of the Yakult Central Institute for Microbiological Research

Research & Development

Basic Studies

•Intestinal flora •Biophylaxis •Probiotics •Cancer prevention •Intestinal immunity
•Genomic analysis of microorganisms •Discovery of yet-unknown intestinal bacteria

Screening of Basic Materials of Food, Pharmaceuticals, and Cosmetics

•Discovery and improvement of useful microorganisms •High-level purification and processing of enzymes
•Development of techniques for utilization of food materials
•Discovery and utilization of effective components in natural organic substances
•Detection and improvement of useful components of milk •Chemical synthesis and modification of organic compounds

Verification of functions of food materials | **Determining pharmacological effects and mechanisms** | **Verification of functions of cosmetic ingredients**

Product Feasibility Tests

Safety testing | **Industrial feasibility tests**

New food materials | **New pharmaceutical materials** | **New cosmetic materials**

Recent R&D Accomplishments

Improvements in Bowel Movements Observed in Subjects Who Took Probiotics (*Lactobacillus casei* strain Shirota) on a Continuous Basis

—Test conducted in Ghent, Belgium

The Yakult Honsha European Research Center for Microbiology conducted a clinical trial on healthy adults living in Ghent, Belgium, who were instructed to drink *Yakult* Light (a product marketed in Europe) continually for three weeks. It was confirmed that the percentage of the subjects experiencing hard or lumpy stools frequently (at least one out of four stools) dropped after taking *Yakult* Light. In addition, improvements in stool conditions as measured against the stool score were observed. The results were published in the *International Journal of Food Sciences and Nutrition*, an international scientific periodical on food science. The study revealed that the continuous intake of the fermented milk product containing *Lactobacillus casei* strain Shirota improved bowel movements in healthy adults in Europe. We are planning to conduct more studies around the globe in an attempt to prove the efficacy of our products.

Exterior view of bio-incubator facility located in the Technologiepark
* The YHER is located on the first floor of this building.

Yakult Central Institute for Microbiological Research

Analysis of Intestinal Bacteria Involved in Soy Isoflavone Metabolism

—Joint research with the University of Tokyo and Mito Saiseikai General Hospital

With the University of Tokyo and Mito Saiseikai General Hospital, Yakult conducted joint research on intestinal bacteria that play a role in soy isoflavone metabolism.

Soy isoflavones and their metabolic products, whose structures are similar to those of female hormones, are expected to contribute to the prevention of breast cancer and prostate cancer. Through our research, we discovered that *Slackia* sp., an intestinal bacterium, produces highly active equol out of daidzein, a soy isoflavone, and that the intestinal bacterium is found in about 40% of healthy adults in Japan. In addition, we analyzed the isolated *Slackia* sp. strain NATTS at the genetic level and confirmed that the equol production from daidzein is carried out with the action of three enzymes.

These findings by Yakult are expected to provide strong momentum for further advances in the study of the cancer-preventive effects of equol.

Corporate Governance

1. Basic Stance

Our basic stance on corporate governance is to promote highly transparent management that is committed to the steady development of operations in our core business domain.

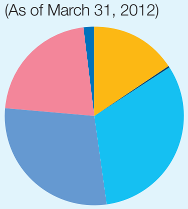
Our corporate philosophy is “We contribute to the health and happiness of people around the world through pursuit of excellence in life science in general and our research and experience in microorganisms in particular.” In pursuing this philosophy, we believe it is important to implement transparent management with an emphasis on well-developed internal control functions. This includes efforts to ensure an appropriate management organization and decision-making processes. Corporate governance at the Company is also underpinned by the “company with corporate auditors” system.

2. Capital Composition

The distribution of ownership among shareholders (on a number of shares basis) and major shareholders are as follows:

Distribution of Ownership Among Shareholders

(As of March 31, 2012)



- Japanese financial institutions **15.83%**
- Japanese securities companies **0.24%**
- Other Japanese corporations **31.71%**
- Foreign institutions and others **28.74%**
- Japanese individuals and others **21.59%**
- Treasury stock **1.89%**

Major Shareholders

(As of March 31, 2012)

	Percentage of Total Shares Issued
MLPFS NOMINEE-DANONE ASIA HOLDINGS PTE. LTD.	20.02%
Matsusho Co., Ltd.	6.55
Fuji Media Holdings, Inc.	3.69
Mizuho Trust & Banking Co., Ltd. (retirement benefit trust [Mizuho Bank account])	2.82
Kyoshinkai	2.44
State Street Bank and Trust Company 505041	2.19
Kirin Beverage Corporation	1.40
Mizuho Bank, Ltd.	1.24
Nippon Life Insurance Company	1.21
Teruo Nakamura	1.15

Note: In addition to the above, the Company holds 1.89% of its own shares.

3. Governing Bodies, Organizational Operations and Operational Execution

Board of Directors

The Board of Directors is composed of 15 directors, including four outside directors, and holds meetings in principle seven times each year, in addition to convening special meetings as needed. The seven corporate auditors also attend meetings. The Board of Directors deliberates on matters within its jurisdiction as defined by law and company rules, and is responsible for supervising the status of business execution.

The Company introduced the Executive Officer System in June 2011. This system strengthens the decision making of the Board of Directors and business supervision functions, and clarifies responsibilities for business execution, thereby increasing the efficiency of these functions.

As a system of support for outside directors, the General Affairs Department functions as the secretariat for the Board of Directors, and serves in this capacity as a point of contact for all Company officers, including outside directors.

The four outside directors are listed in the chart below.

(As of June 20, 2012)

Name	Outside Positions as Representative	Reason for Appointment as Outside Director
Ryuji Yasuda	Professor, International Business Strategy, Graduate School of International Corporate Strategy, Hitotsubashi University; Outside Director, Daiwa Securities Group Inc.; Outside Director, Fukuoka Financial Group, Inc.; Outside Director, The Bank of Fukuoka, Ltd.; Outside Director, Sony Corp.; Director, Sony Financial Holdings Inc.; Outside Auditor, the Asahi Shimbun Company	Mr. Yasuda was appointed on the expectation that he would offer pertinent advice regarding the overall management of the Company that would further strengthen and enrich its management structure based on the expertise in business strategy he has accumulated over the years in wide-ranging positions including those of university professor, consultant and business manager.
Masayuki Fukuoka	Professor of Hakuoh University Faculty of Law; specially approved visiting Professor of Tohoku Fukushi University; Assist (Japan) Secretary General	Mr. Fukuoka was appointed on the expectation that he would offer objective views to the Company’s management that would lead to further reinforcement and enhancement of the management structure based on his expertise and experience as a university professor of political science studies. While he has no experience of direct involvement in management of a company except as an outside officer, the Company believes that he will be able to perform the duty of outside director appropriately for the above reason.
Christian Neu	Strategic Advisor, Danone S.A.; Member of strategic council of Groupe ARC International	Mr. Neu was appointed on the expectation that he would offer pertinent advice from a broad perspective regarding overall management, including future business development, which would lead to further strengthening of the management structure based on the high rating of his abundant overseas management experience.
Bertrand Austruy	Danone S.A. Group General Counsel	Same as above.

Management Policy Council and the Executive Officers Committee

The Company has established a set of meetings, the Management Policy Council and the Executive Officers Committee, designed to promote effective management activities and accelerate decision making. These meetings are, in principle, convened on a weekly basis.

Corporate Auditors

The Company has seven corporate auditors, including four outside corporate auditors. All corporate auditors attend meetings of the Board of Directors and other important company meetings and audit the operational execution of the directors by examining documents related to decision making and other matters. The corporate auditors strive to enhance the

effectiveness of their audits by forging close ties with the Internal Audit Department and the accounting auditor.

The system of support for the Board of Auditors consists of a staff assigned exclusively to the corporate auditors that functions as the secretariat for the board. Furthermore, the Board of Auditors convenes prior to meetings of the Board of Directors and other important meetings to discuss the proposed agenda for the meetings, and to share information gathered from materials provided by relevant department and division heads, as well as information gained from explanations received firsthand and by other means. Furthermore, with respect to systems for conveying information to outside corporate auditors, the full-time corporate auditors issue progress reports on a regular basis, and provide the outside corporate auditors with a range of materials, including those from important company meetings and decision making and audit-related materials.

The four outside corporate auditors are listed in the chart on the right.

Internal Audits

Internal audits are conducted by the Audit Office, an organization that reports directly to the Company's President and that performs financial and operational audits, including those of Group companies in Japan and overseas. The head of the Audit Office currently oversees a 15-member staff responsible for risk avoidance and other internal audit functions. These personnel conduct internal audits spanning the operations of all internal departments and Group companies, as well as issuing concrete advice and warnings with respect to operational improvements.

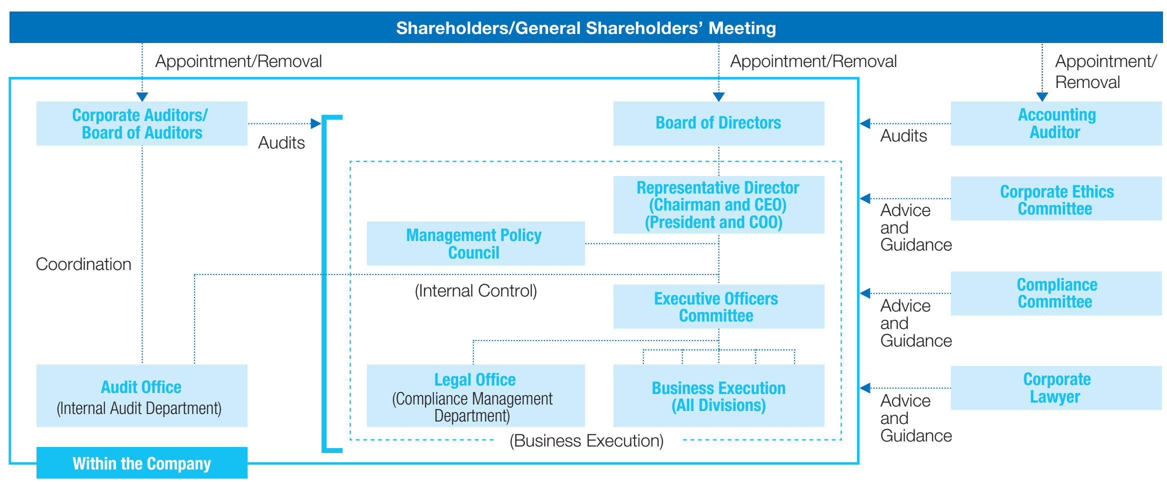
Accounting Auditor

The Company has appointed Deloitte Touche Tohmatsu LLC to serve as the accounting auditor for the audit of its business accounts as required by law. Compensation is paid to the accounting auditor based on an auditing contract signed with Deloitte Touche Tohmatsu.

(As of June 20, 2012)

Name	Outside Positions as Representative	Reason for Appointment as Outside Auditors
Akihiko Okudaira	Lawyer	Mr. Okudaira was appointed on the expectation that his expertise as a lawyer and abundant experience would be reflected in auditing of the Company that would lead to further reinforcement and enhancement of the Company's management structure. While he has no experience of being directly involved in the management of a company except as an outside officer, the Company believes that he will be able to continue to perform the duty as an outside auditor appropriately for the above reason.
Ryohei Sumiya	Certified Public Accountant	Mr. Sumiya was appointed on the expectation that his expertise as an accountant and abundant experience in corporate accounting would be reflected in auditing of the Company that would lead to further reinforcement and enhancement of the Company's management structure. While he has no experience of being directly involved in the management of a company except as an outside officer, the Company believes that he will be able to continue to perform the duty as an outside auditor appropriately for the above reason.
Seijuro Tanigawa	President of Yakult Kobe Sales Co., Ltd.	Mr. Tanigawa was appointed on the expectation that his long record of managing a Yakult sales company would be an advantage when performing audit operations primarily on the legality of the directors' execution of duties, thus contributing significantly to the development of the entire Yakult Group.
Setsuko Kobayashi	President of Yakult Joetsu Sales Co., Ltd.	Same as above.

Corporate Governance Framework



4. Internal Control Systems and Policies

The Company resolved at the Board of Directors' meeting on May 19, 2006 to establish an internal control system as mandated for a large company with a Board of Directors by the Companies Act and its enforcement regulations. The Company revises the details of this resolution promptly in response to changes inside and outside the Company. At the current time, the details are as follows:

The Company aims to proceed with its business activities in accordance with its corporate philosophy, "We contribute to the health and happiness of people around the world through pursuit of excellence in life science in general and our research and experience in microorganisms in particular." To achieve this, the Company believes that it is important to implement management that places emphasis on strengthening and enhancing internal control functions as a company that is widely trusted by society.

Based on this perspective, the Company has made the following resolutions on basic policies regarding building internal control systems after reconfirming the current situation at the Company in relation to the development of internal control systems.

Meanwhile, the contents of the resolutions will be revised on a timely basis in line with revisions to laws and environmental changes inside and outside the Company, aiming to further strengthen and enhance internal control systems.

i) Systems to ensure that the performance of duties by directors and employees complies with laws and articles of incorporation

As standards for executives and workers to properly perform business activities, the Company has established the Yakult Code of Ethics and Code of Practice. The Yakult Code of Ethics and Code of Practice have been distributed to all persons concerned, aiming to familiarize them with the details of the codes. At the same time, the Company is continuously offering in-house training programs regarding compliance.

In addition, a meeting of the Compliance Committee, which consists of external knowledgeable persons, is held on a regular basis to receive advice regarding the development of the Company's compliance system.

Furthermore, the Company has established an "internal reporting system," aiming to improve the self-cleaning functions by which it detects its own violations of law and takes corrective actions.

In addition, the Company will resolutely block and repudiate anti-social forces that pose a threat to business activities. We will also maintain a close relationship with the police under normal circumstances. At the same time, we will endeavor to supervise transactions through the Corporate Ethics Committee, which consists of external experts as the main committee members, and will tackle any unreasonable claims organizationally and take all possible legal measures.

ii) Systems regarding preservation and management of information related to the performance of duties by directors

Minutes of general shareholders meetings and Board of Directors meetings are preserved properly in accordance with law.

In addition, in line with the Rules for Handling Documents, information related to the performance of duties by directors is recorded and preserved in documents or electromagnetic media (hereinafter referred to as "documents and other media").

Directors and auditors can look through the minutes and the documents and other media at any time.

Furthermore, the Rules for Handling Documents include rules regarding maintaining confidentiality and taking preventive measures against information leakage.

iii) Rules and other systems regarding the management of risks for losses

The Administrative Division plays a central role in supervising the conditions of cross-sectional risk and making company-wide responses. The department concerned handles the management of risks related to the operations of each department.

In addition, to respond to crises that appear suddenly, there are the Risk Management Rules, which include a rule to have the Company's President or general managers serve as the head of various task forces set up in accordance with the details of crisis situations.

Furthermore, to provide safe products to customers and establish a quality assurance system, the Quality Assurance Committee has been established and its meetings are being held. In addition, the Food & Beverages Quality Assurance Department has been established as an independent department to carry out exclusive company-wide supervisory operations related to food quality assurance.

iv) Systems to ensure that the performance of duties by directors is efficient

The Company has introduced the Executive Officer System to strengthen the functions of the Board of Directors to make decisions and supervise as well as to define the responsibilities in executing operations, and ultimately to improve the efficiency of these functions.

In addition, the Company's decision-making methods are stipulated in the Rules for Decision-Making, aiming to make decisions in line with the level of importance. At the same time, a management policy meeting and the Executive Officers Committee are held every week in principle, aiming to speed up decision making.

Moreover, to carry out business operations efficiently, the organizational structure of the Company and its management standards are stipulated in the Organization Rules and the Table of Division of Duties.

v) Systems to ensure that operations at the concerned joint-stock company and the corporate group consisting of the joint-stock company's parent company and subsidiaries are appropriate

The Company endeavors to ensure that operations at its subsidiaries are appropriate by sending its executives or employees to the subsidiaries and having them serve as executives of the subsidiaries.

In addition, the Rules for the Management of Affiliates include provisions to require the subsidiaries and affiliates to obtain advance approval and provide reports. At the same time, the Company has established an internal support system by setting up a department in charge of the management of the subsidiaries for securing the appropriate operations.

Furthermore, the Auditing Department, which is the Company's internal auditing department, carries out audits.

vi) Matters regarding employees who support the duties of auditors in cases in which auditors make a request to assign such employees

Employees who have a thorough knowledge of the Company's business operations and can properly support the duties of auditors serve as full-time staff members who support auditors. In terms of the organizational structure, the staff members serve as "auditing officers" and are independent of the Auditing Department, which is an internal auditing department. They carry out operations under the direct supervision of auditors.

vii) Matters regarding the independence of employees who support the duties of auditors, who are mentioned in the previous item, from directors

To secure the independence of full-time employees who support the duties of auditors from directors, such employees do not belong to any department in the organization and are not under the supervision of directors.

In addition, full-time auditors directly evaluate the performance of such employees to respect their independence.

viii) Systems for directors and employees to provide reports to auditors and other systems regarding reports provided to auditors

Auditors attend Board of Directors meetings and other important meetings and read minutes of such meetings on an as-needed basis. In addition, auditors confirm the details of important requests. There is a system in which auditors can be apprised of the details of such requests.

Furthermore, reports regarding the results of internal audits are provided to auditors on a regular basis. The Rules for Audits by Auditors also stipulate that auditors can request directors to provide business reports and request related departments, subsidiaries, and other parties to provide reports if necessary.

ix) Other systems to ensure that audit operations of auditors are carried out effectively

The Rules for Audits by Auditors ensure that auditors effectively exercise the authority to "attend board of directors meetings and other important meetings," "ask for explanations in cases of failure to attend meetings and read minutes and documents," "read documents necessary to investigate business conditions and request related departments to provide reports," and "request subsidiaries and affiliates to provide reports and investigate business and asset conditions."

In addition, they can hear opinions from lawyers, certified public accountants, consultants, and other outside experts if necessary.

5. Other Corporate Governance Systems

(1) Basic approach regarding timely disclosure

With respect to information disclosure, especially in a timely manner, in the Yakult Code of Ethics and Code of Practice, the Company makes the following commitment: "The Company will actively disclose all relevant information to our customers, shareholders, employees and business partners and increase the transparency of management, to gain the full trust of society through our corporate activities." Based on this approach, the Company is disclosing information in a timely manner.

(2) Internal structure related to timely disclosure

- Facts and data appropriate for public disclosure from each department within the Company (including subsidiaries) are compiled by the Public Relations Department. In parallel, each department within the Company, pursuant to the Rules for Decision-Making, decides items for disclosure based on prescribed decision-making procedures. Facts and data not vetted in this manner are not publicly disclosed. When making final decisions, the disclosing department liaises with the General Affairs Department, the body responsible for

coordinating timely disclosure, as it moves decision-making procedures forward, during which time a determination is made of the necessity for timely disclosure. The General Affairs Department refers to two standards in making this determination: the Rules for Timely Disclosure and the status of other finalized disclosure decisions within the Company. The decision is then made to officially conduct the timely disclosure of facts and data meeting these criteria.

- The Company is listed on the Tokyo Stock Exchange (TSE). Any information from the Company marked for timely disclosure is registered on TDnet, a system for timely disclosure provided by TSE. The registration of information for timely disclosure and responses to inquiries from TSE personnel are conducted by the General Affairs Department, the body responsible for coordinating timely disclosure. Following registration, information targeted for timely disclosure is quickly transmitted simultaneously to all relevant media outlets, with related materials disclosed at the same time on the Company's website.

(3) Check functions to mitigate risks associated with the improper execution of timely disclosure

- The Company has considered a variety of risk scenarios, including those in which information marked for timely disclosure is inadvertently overlooked; information is prematurely disclosed; and data pertaining to sudden crises are not promptly disclosed. A single department, the General Affairs Department, which is responsible for coordinating timely disclosure, acquires and shares information about the criteria for determining the necessity of timely disclosure, and checks information pertaining to final decisions made internally, as well as primary information when sudden crises and incidents arise. This configuration allows check functions to work and enables timely disclosure without any omissions.

Board of Directors and Corporate Auditors

(As of June 20, 2012)

Chairman and Representative Director
Chief Executive Officer

Sumiya Hori

President and Representative Director
Chief Operating Officer

Takashige Negishi

Directors

Yoshihiro Kawabata
Divisional General Manager of Administrative Division, and International Business Division

Chizuka Kai
Divisional General Manager of Research & Development Division, and Production Division

Masahiro Negishi
Divisional General Manager of Food and Beverages Business Division, and Cosmetics Business Division

Shigeyoshi Sakamoto
Divisional General Manager of Pharmaceuticals Business Division

Hiroshi Narita
Divisional General Manager of Management Support Division

Richard Hall

Chairman and Representative Director
Chief Executive Officer
Sumiya Hori

President and Representative Director
Chief Operating Officer
Takashige Negishi

Directors
Yoshihiro Kawabata
Chizuka Kai
Masahiro Negishi
Shigeyoshi Sakamoto
Hiroshi Narita
Richard Hall

Directors (Part-time)
Ryuji Yasuda
Masayuki Fukuoka
Christian Neu
Bertrand Austruy
Yasuo Ozeki
Koso Yamamoto
Takashi Matsuzono

Senior Corporate Auditors
Akinori Abe
Hiroshi Yamakami

Corporate Auditors
Akihiko Okudaira
Ryohei Sumiya
Seijuro Tanigawa
Setsuko Kobayashi
Koichi Yoshida

Consolidated Five-Year Summary

YAKULT HONSHA CO., LTD. and subsidiaries
Years ended March 31, 2012, 2011, 2010, 2009 and 2008

	Millions of yen					Thousands of U.S. dollars (Note 2)
	2008	2009	2010	2011	**2012**	**2012**
For the year:						
Net sales	¥ 317,335	¥ 293,490	¥ 290,678	¥ 305,944	**¥312,553**	**$3,811,621**
Selling, general and administrative expenses	146,693	138,113	138,584	147,139	**149,214**	**1,819,684**
Operating income	22,502	16,744	18,991	20,401	**20,817**	**253,868**
Net income	16,675	11,325	13,249	13,169	**13,292**	**162,097**
Research and development costs	8,952	9,248	9,622	11,480	**12,414**	**151,393**
Capital investments	28,973	27,967	19,980	23,970	**25,007**	**304,964**
Depreciation and amortization	12,054	18,571	18,913	19,628	**18,337**	**223,622**
At the year-end:						
Total assets	¥ 384,569	¥ 361,902	¥ 389,892	¥ 392,828	**¥397,214**	**$4,844,071**
Net property, plant and equipment	116,078	131,321	130,391	133,717	**136,963**	**1,670,275**
Total liabilities	118,566	134,936	140,970	141,857	**144,971**	**1,767,937**
Total equity	266,003	226,966	248,922	250,971	**252,243**	**3,076,134**
	Yen					U.S. dollars (Note 2)
Per share of common stock:						
Basic net income	¥ 95.93	¥ 65.75	¥ 77.11	¥ 76.55	**¥ 77.32**	**$ 0.94**
Total equity (Note 3)	1,376.41	1,195.60	1,300.21	1,313.37	**1,328.61**	**16.20**
Cash dividends applicable to the year	20.00	20.00	20.00	22.00	**22.00**	**0.27**
Financial ratios:						
Return on equity (ROE) (%)	7.0	5.1	6.2	5.9	**5.8**	
Equity ratio (%)	61.7	56.8	57.4	57.5	**57.6**	

Notes: 1. Figures are rounded to the nearest million.
2. The translation of Japanese yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan and has been made at the rate of ¥82 to U.S.$1, the approximate rate of exchange at March 31, 2012.
3. Minority interests are not included in equity for the calculation.

Financial Section

Contents

Management's Discussion and Analysis

OVERVIEW

In the fiscal year ended March 31, 2012, Japan's economy was buoyed by the restored supply chain and a series of stimulus measures and underwent a mild recovery. This occurred despite downside risks caused by the consequences of the Great East Japan Earthquake in March 2011, the global economic slowdown, and the eroding employment situation in Japan.

In these circumstances, the Yakult Group (the "Group") worked to build awareness and understanding of the Probiotics—living microorganisms that provide health benefits by improving the balance of intestinal flora—that constitute the bedrock of our operations, while striving to communicate the superiority of our products. In addition, the Group endeavored to improve its performance by taking steps to shore up its sales organization, develop new products, upgrade its production facilities, and vigorously enhance its overseas operations and pharmaceuticals business.

As a result of these efforts, the Group recorded consolidated net sales of ¥312.6 billion. Operating income climbed 2.0%, to ¥20.8 billion, while the operating margin was 6.7%, unchanged from a year earlier. Consequently, net income increased 0.9%, to ¥13.3 billion, and the return on sales was 4.3%, unchanged from the previous fiscal year.

SALES, COSTS, EXPENSES AND EARNINGS

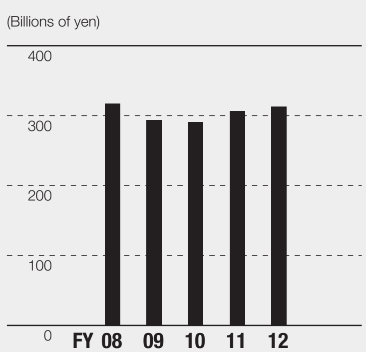
SALES

Net sales increased 2.2%, to ¥312.6 billion, despite the impact of negative ¥4.2 billion from foreign currency fluctuations.

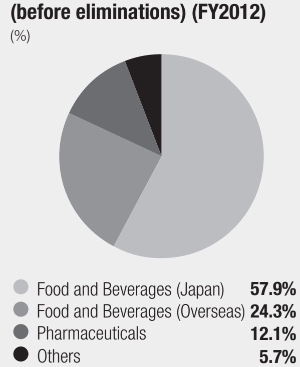
Looking at net sales by reporting segment (before reconciliation), Food and Beverages (Japan) accounted for 57.9% of sales, or 1.9 percentage point lower than in the previous fiscal year. Food and Beverages (Overseas) accounted for 24.3% of sales, or 1.7 percentage point higher than in the previous fiscal year. Pharmaceuticals generated 12.1%, down 0.1 percentage point from the previous fiscal year, and Others contributed 5.7%, up 0.3 percentage point from the previous fiscal year.

In the Americas, sales increased 3.9%, to ¥39.0 billion, due to sales growth in the United States as Yakult expanded its sales area and the number of stores that sell its products. Growth in sales volume was also noted in Brazil and Mexico despite adverse economic conditions in these markets. In Asia and Oceania, sales climbed 25.4%, to ¥32.0 billion, supported by steady sales growth in China and other key countries and regions. In contrast, sales in Europe declined 7.0% to ¥8.0 billion mainly due to the impact of foreign currency fluctuations, while robust sales were recorded in the Netherlands and Italy.

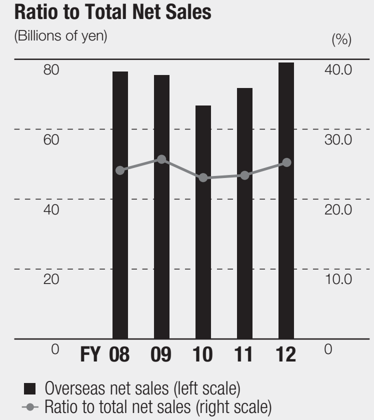
Net Sales



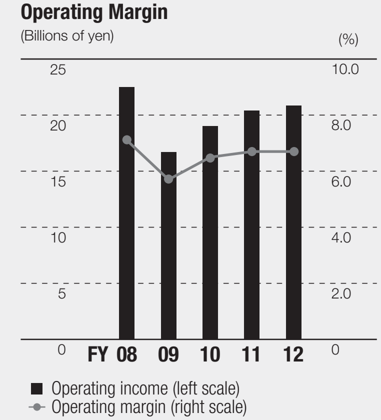
Breakdown of Net Sales (before eliminations) (FY2012)



Overseas Net Sales/ Ratio to Total Net Sales



Operating Income and Operating Margin



COSTS, EXPENSES AND EARNINGS

Consolidated cost of sales increased 3.0%, to ¥142.5 billion. As a result, the cost of sales ratio rose 0.4 of a percentage point, to 45.6%. Gross profit increased 1.5%, to ¥170.0 billion, and the gross profit margin decreased 0.4 of a percentage point, to 54.4%.

Selling, general and administrative (SG&A) expenses increased 1.4%, to ¥149.2 billion. This increase resulted mainly from increased R&D expenses for new drug development. The SG&A expense ratio decreased 0.4 of a percentage point, to 47.7%. R&D expenses edged up ¥0.9 billion year on year, to ¥12.4 billion. As a percentage of net sales, R&D expenses increased 0.2 of a percentage point, to 4.0%.

As a result, operating income rose 2.0%, to ¥20.8 billion, with the operating margin unchanged from the previous fiscal year at 6.7%.

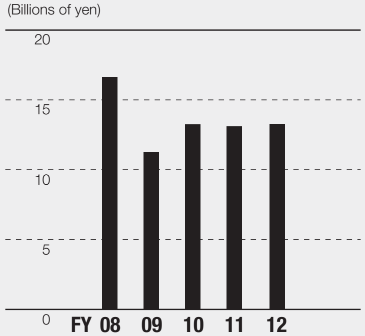
Other income—net amounted to ¥5.1 billion, up ¥4.1 billion from a year earlier, mainly due to refund of social insurance premium and a foreign exchange gain.

Income taxes came to ¥8.6 billion.

Consequently, net income increased 0.9%, to ¥13.3 billion, and the return on sales was 4.3%, unchanged from the previous fiscal year.

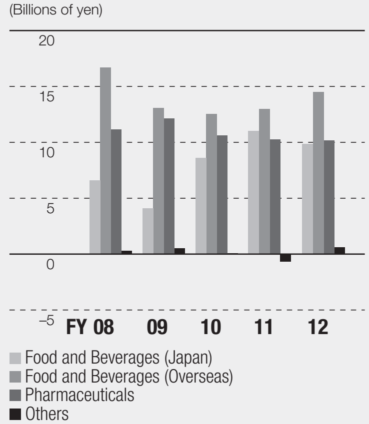
Net Income

(Billions of yen)



Operating Income (loss) by Business Segment

(Billions of yen)



OVERVIEW BY SEGMENT

FOOD AND BEVERAGES (JAPAN): In Probiotic products, Yakult began activities aimed at vigorously promoting the value and appeal of our proprietary living *Lactobacillus casei* strain Shirota and *Bifidobacterium breve* strain Yakult.

In our home delivery channel, we worked to develop more long-term customers using sales activities that get people to try our products through samples or trial use. The focus of these activities was *Yakult 400* series products, including both our mainstay *Yakult 400* fermented milk drink and *Yakult 400LT*.

In our retail store channel, Yakult sales promotion staff took steps to highlight the value and appeal of products, centered on fermented milk drink *Yakult* and *Mil-Mil*, a drinkable yogurt containing Bifidobacteria. We focused aggressively on the marketing of fermented milk drink *Yakult Calorie Half*, which contains fewer calories and tastes less sweet than the regular *Yakult*, after the product was revamped in September 2011.

Another product that underwent renewal was *Pretio*, which has been designated by the government as a food for specified health uses and designed for people with relatively high blood pressure. We staged a synchronized ad campaign titled “Try Four Weeks and See for Yourself” across TV, newspapers, the Internet and other media, as well as in-store promotions throughout Japan, beginning in January 2012, to boost sales.

In the first half of the fiscal year, our sales were affected by disruptions in product distribution caused by production suspensions at some of the facilities hit by the Great East Japan Earthquake in March 2011, and sales disruptions at the damaged sales offices primarily along the Pacific Coast in northeastern Japan. The difficulty was aggravated by power shortages.

We redoubled sales efforts in the second half of the fiscal year as the product distribution structure was restored, and managed to post a year-on-year increase for the second half. Nevertheless, our full-year sales fell slightly short of the level achieved in the previous fiscal year.

In juices and other beverages, we completed the revamping of *Toughman*, our mainstay brand, on the occasion of the product’s 30th anniversary in May 2011. Activities to boost the *Toughman* brand continued throughout the fiscal year and included the launch of *Toughman Super*, a more potent version fortified with royal jelly and higher Korean Ginseng content than the regular *Toughman*. Efforts to capture a greater share in the general fermented milk market included the product renewal for *Milouge Ca Plus* in April 2011, followed by the package renewal for *Milouge Soda* in June. To drive sales growth in the functional beverage and food sphere, we renewed *Plum Drink with Galacto-oligosaccharide*, a food for specified health uses, and the *Gyutto Kenko Citrulline* functional

drink in September and October, respectively. The enhanced product lines in the functional beverage and food category resulted in a year-on-year increase in sales for juices and other beverages as a whole. As a result, net sales decreased to ¥188.0 billion, or 0.9%, from the prior fiscal year, and operating income fell 10.4%, to ¥9.9 billion.

FOOD AND BEVERAGES (OVERSEAS): Yakult's overseas operations commenced in March 1964 with the establishment of Yakult Co., Ltd. (Taiwan). They now extend to 31 countries and regions outside Japan, and are centered on 28 business bases and 1 research center. These operations focus primarily on the production and sale of the fermented milk drink *Yakult*. Average daily sales of all *Yakult* products overseas were approximately 21.17 million bottles in March 2012.

In the Americas, Yakult manufactures and sells the fermented milk drink *Yakult* and other products in Brazil and Mexico, and imports products for sale in Argentina, the United States, and other countries.

In the United States, preparation is underway for the construction of the first Yakult production facility in that country. It will be situated in Fountain Valley, California, and is scheduled to commence production in the fall of 2013. Net sales in the Americas increased to ¥39.0 billion, or 3.9%, from the prior fiscal year, and operating income climbed 6.0%, to ¥8.8 billion.

In Asia and Oceania, Yakult manufactures and sells the fermented milk drink *Yakult* and other products in Hong Kong, Singapore, Indonesia, Australia, Malaysia, Vietnam, India, China, and other countries.

In China, in an effort to boost sales in the interior, we opened branch offices in Xi'an, Shaanxi Province in February 2011 and Changsha, Hunan Province in March, following the branch opening in Wuhan, Hubei Province. In August 2011, our third production facility in China located at Tianjin Yakult Dairy Co., Ltd. began production of *Yakult*. The second production plant is planned for Guangzhou Yakult Co., Ltd. in anticipation of consistent sales growth in the provinces of Guangzhou and Hainan.

In India, sales of *Yakult* began in the city of Hyderabad in February 2012 via the retail store channel. To disseminate the Probiotics concept to a broad spectrum of people, we established Yakult India Microbiota and Probiotic Science Foundation, which hosted a probiotics symposium in December 2011.

In Thailand, two production facilities under Yakult (Thailand) Co., Ltd., an associated company accounted for by the equity method, suffered damages caused by flooding in October 2011, and their operation was suspended. They resumed shipments in December 2011. Net sales in Asia and Oceania increased to ¥32.0 billion, or 25.4%, from the prior fiscal year, and operating income jumped 34.7%, to ¥5.5 billion.

In Europe, Yakult manufactures the fermented milk drink *Yakult* and other products in the Netherlands, and sells them in the Netherlands, Belgium, the United Kingdom, Germany, Austria, Italy, and other countries.

Overall European sales in yen amounts were affected by the yen's strength, but sales in the Netherlands and Italy showed solid growth. Net sales in Europe decreased to ¥8.0 billion, or 7.0%, from the prior fiscal year, and operating income fell 73.6%, to ¥0.2 billion.

PHARMACEUTICALS: In Japan, we focused on promoting the proper use of the cancer chemotherapeutic agent *Elplat*, actively sponsoring lectures and presentations targeting healthcare professionals in this area. Similarly, in November 2011, we obtained approval for a change in *Elplat's* dosage and administration in connection with the post-surgical adjuvant chemotherapy for colon cancer patients. Since then, we have redoubled efforts to recommend the parallel administration of *Elplat* with *Capecitabine*, an orally administered antineoplastic agent used in the XELOX regimen of chemotherapy known for its dosing convenience offered to patients and medical practitioners. In addition, we sought higher sales and higher market shares by specializing in oncology treatments and through active marketing and sales channel expansion for cancer chemotherapeutic agent *Campto*, activated folic acid drug *Levofolinate* Yakult, antineoplastic antimetabolite *Gemcitabine* Yakult, and recombinant DNA G-CSF chemotherapy treatment *Neu-up*.

In the area of R&D, an exclusive license was granted by 4SC AG in April 2011 for the development and commercialization in Japan of oral HDAC inhibitor *Resminostat*, which is owned and under development by 4SC as a cancer treatment drug. This was followed by an option agreement in November 2011 with LivTech Inc. concerning an exclusive, world-wide license for the development, manufacturing and commercialization of *LIV-2008*, humanized monoclonal anticancer antibodies program created by LivTech Inc. We are expanding the development pipeline for these drugs as well as for multi-kinase inhibitors *PR509* and *PR610* by Proacta Inc. and Akt inhibitor *Perifosine* by Æterna Zentaris Inc., for which Yakult signed agreements, in an effort to strengthen their position in the cancer treatment area.

Outside Japan, we worked hard to boost sales of *Campto*, whose market share has declined since the emergence of generic drugs.

As a result, brisk growth in domestic sales overcame a year-on-year drop in overseas sales, resulting in an increase in consolidated sales in the Pharmaceuticals segment of 1.3%, to ¥39.4 billion. Operating income decreased 1.0%, to ¥10.1 billion.

OTHERS: This segment encompasses Yakult's cosmetics operations as well as its professional baseball team operations.

In our cosmetics operations, we continued to promote the value and appeal of basic skin care products, namely, our core brands *Parabio*, *Revecy* and *Revecy White* based on home visits to counsel customers on cosmetics.

In an attempt to better address customers' growing needs for complexion lightening care, we revamped the *Revecy White* series in June 2011 with the introduction of the new *Revecy White "Transparent White"* series featuring a new moisturizing formula.

To take customer satisfaction a step further and to drive sales growth, in November 2011, we rolled out *Agetics Moist Repair Essence*, which is designed to reduce the appearance of dry fine lines and wrinkles. We followed this with the release in January 2012 of *Lactdew S.E. Hyalurongel* featuring proprietary moisturizing ingredients.

As a result of the above, the overall Cosmetics operations achieved results surpassing the previous fiscal year, despite the impact of the earthquake and tsunami, which affected sales operations.

In our professional baseball team operations, the Tokyo Yakult Swallows competed for the championship until the final stage of the regular season and advanced to the Climax Series. Attendance at Jingu Stadium rose from the previous fiscal year, bolstered by a variety of fan appreciation events and active information dissemination.

As a result, the Others segment saw consolidated sales rise 8.0%, to ¥18.6 billion, and posted operating income of ¥0.6 billion.

FINANCIAL POSITION

Total assets at year-end amounted to ¥397.2 billion, climbing 1.1% year on year.

Current assets decreased ¥5.2 billion, or 2.9%, from the prior fiscal year-end, to ¥177.6 billion, principally due to decreases in cash and cash equivalents and deferred tax assets.

Net property, plant and equipment increased ¥3.2 billion, to ¥137.0 billion. This was primarily due to an increase in construction in progress.

Investments and other assets increased ¥6.4 billion, or 8.4%, to ¥82.7 billion, mainly because of increases in investment securities.

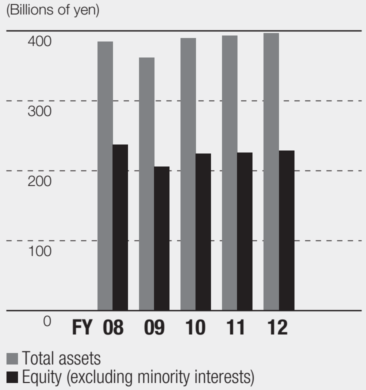
In the fiscal year under review, capital investments increased 4.3%, to ¥25.0 billion.

Total liabilities grew 2.2%, to ¥145.0 billion. The major component of this increase was rises in payables of ¥5.6 billion, despite a decline of ¥1.2 billion in interest-bearing debt. The debt-to-equity ratio improved 0.8 percentage point to 24.7%.

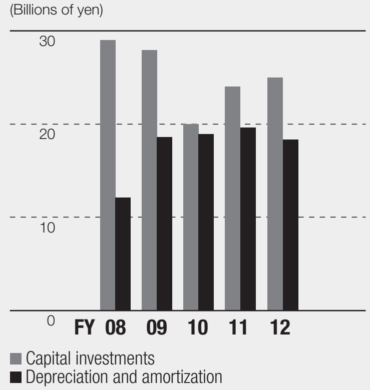
Equity increased 1.2% to ¥228.6 billion, from ¥225.9 billion a year earlier. This rise was primarily due to a growth in retained earnings.

As a result, the equity ratio improved 0.1 percentage point, to 57.6%. Return on equity (ROE) dropped 0.1 percentage point, to 5.8%, principally. Return on assets (ROA) increased 0.1 percentage point, to 5.3%.

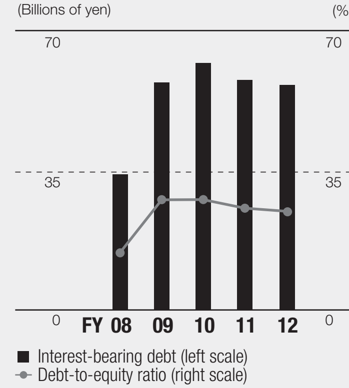
Total Assets and Equity (Excluding Minority Interests)
(Billions of yen)



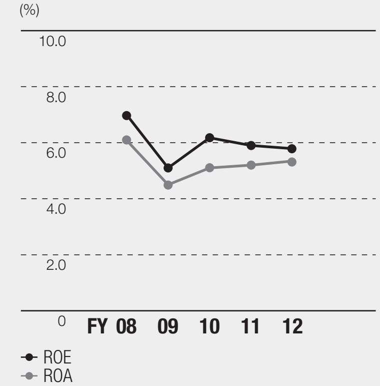
Capital Investments and Depreciation and Amortization
(Billions of yen)



Interest-Bearing Debt and Debt-to-Equity Ratio
(Billions of yen) (%)



ROE and ROA
(%)



Note: ROA is calculated based on operating income.

CASH FLOWS

Net cash provided by operating activities was down ¥7.5 billion from the previous year, to ¥33.4 billion. This primarily resulted from an increase in inventories and an increase in receivables despite an increase in income before income taxes and minority interests.

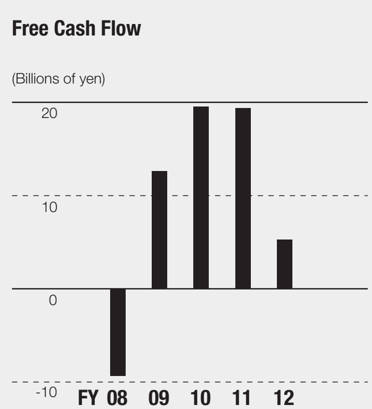
Net cash used in investing activities increased ¥6.7 billion, to ¥28.3 billion. Cash was mainly used for purchases of property, plant and equipment, specifically for the new establishment and expansion of production facilities.

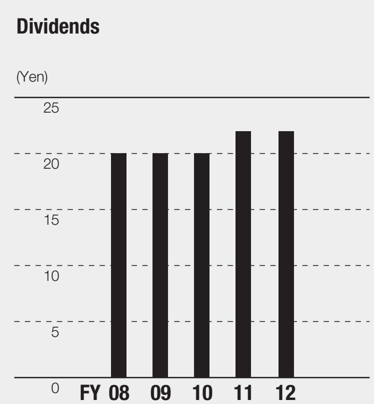
Net cash used in financing activities was ¥9.3 billion, an decrease of ¥3.1 billion from the previous fiscal year. This payment was mainly attributed to the repayment of lease obligations and the payment of dividends.

As a result, cash and cash equivalents at year-end amounted to ¥75.6 billion, a net decrease of ¥11.0 billion from the previous fiscal year-end.

DIVIDENDS

We give top priority to the payment of a higher and stable dividend to shareholders by setting the annual dividend at a base of ¥20.0 per share. The total dividend will be decided based on business performance for the year, after comprehensively taking into account the need for funds for future business expansion and increasing earnings, as well as financial position.





For the fiscal year ended March 31, 2012, we decided to declare an annual dividend of ¥22.0 per share, which consisted of the base dividend of ¥20.0 per share in line with the above policy plus an additional ordinary dividend of ¥2.0 to match the commemorative dividend declared in the previous fiscal year for the 75th anniversary of the Yakult Group. We have already declared and paid an interim dividend of ¥11.0 per share, and the balance of ¥11.0 per share will be distributed to our shareholders as the year-end dividend.

In the fiscal year ending March 31, 2013, we plan to increase the annual dividend by ¥1.0 to ¥23.0 in an effort to offer higher returns to shareholders.

Internal reserves will be used for R&D investment and facility renewal projects designed to strengthen our corporate structure and enhance our competitiveness.

FORWARD LOOKING STATEMENT

FOOD AND BEVERAGES

In our Probiotics business, we will continue to develop more robust activities in both home delivery and retail store channels that underscore the value of the *Lactobacillus casei* strain Shirota and the enhanced *Bifidobacterium breve* strain Yakult.

We will strive to generate higher sales for our home delivery channel by building sales strategies around *Yakult 400*, *Yakult 400LT*, *Mil-MilS* and *Pretio*, while centering sales efforts for the retail store channel on Yakult products such as *Yakult* and *Yakult Calorie Half* in addition to *Mil-Mil*. Moreover, we will take special action in the retail and home delivery channels to revitalize the brand of our long-selling *Joie*.

In juices and other beverages, we will aim to increase sales of products, namely, our core brands *Toughman*, *Bansoreicha* and *Milouge*.

Overseas, we will develop operations with “Yakult Vision 2020,” our medium- to long-term plan, which was launched in fiscal 2011, as a guiding framework.

In countries where we have already established a local presence, we will work to achieve further business growth, establish solid financial bases and generate higher profits. In countries where we are gaining a foothold, such as Vietnam, India, China and the United States, we will seek to strengthen our business base and drive business growth.

Decisions to advance operations in new countries and regions will be made following careful consideration of our internal and external business climate.

PHARMACEUTICALS

In Japan, the price of *Elplat* was reduced by 15% in April 2012 as a result of repricing by the Central Social Insurance Medical Council of drugs whose market sizes had grown beyond manufacturers’ initial expectations. To achieve further business growth, we will

continue to encourage the proper use of *Elplat* and advocate the XELOX therapy through lectures and seminars for medical professionals. Parallel to this, we will step up efforts to defend the market share of cancer chemotherapeutic agent *Campto* and expand sales channels for antineoplastic antimetabolite *Gemcitabine* Yakult, in a drive to establish ourselves as a specialist in cancer treatments.

Overseas, we will remain committed to further differentiating *Campto* from generic products.

OTHERS

In our cosmetics operations, we will continue to revitalize marketing activities, underscoring the value of basic skin care products, namely, our core brands *Parabio*, *Revecy* and *Revecy White* with a focus on home visits to counsel customers on cosmetics. Other measures aimed at increasing contacts with prospective customers and to drive sales growth will include the selection of a featured product and a special topic every quarter and activities to enhance the existing product brands.

BUSINESS RISKS

This section includes an explanation of business risks associated with business conditions, accounting, and other factors stated in our securities report. This discussion will focus on factors that may have a material impact on investor decisions.

Forward-looking statements contained herein are based on the Group's judgment as of the date of filing of our securities report.

1. Risks Accompanying Global Business Operations

The Group conducts business operations worldwide, and is involved in production and sales activities overseas. As these overseas business sites gain stronger footing, the proportion of overseas business results is growing each year.

This trend notwithstanding, consolidated business results as reported in the financial statements are impacted by currency exchange rate fluctuations. Moreover, the regions where the Group operates overseas include countries marked by political and economic instability. While we work to mitigate these risks in various ways, there is no guarantee that such risks can be completely avoided. Moreover, given the underlying differences of social background between many overseas countries and regions and Japan, there is a risk that the unforeseen establishment, amendment, or abolition of certain laws and regulations could provoke problems with respect to Group business activities. The occurrence of such issues could adversely impact our business performance and financial condition.

2. Risks Related to Product Safety

Growing concern regarding food safety and quality assurance among consumers today is placing strong pressure on companies to provide unquestionably reliable and safe food products. The Group recognizes that this trend demands greater levels of safety and quality assurance for the products it handles, which are subject to Japan's Food Sanitation Law, Pharmaceutical Affairs Law, and other regulations. As a Group, we also strive to strengthen our quality assurance system, with the provision of safe products as our highest priority.

These efforts notwithstanding, the unexpected occurrence of incidents related to the Group's food products could have an extremely adverse impact on our business results and financial condition.

For this reason, every available step is taken to improve the safety and quality of our food products.

3. Risks Pertaining to Raw Material Prices

The Group's main products consist of dairy products and lactobacillus-based drinks. Sharp increases in procurement prices for the raw materials required for these products, due largely to market supply and demand, could impact manufacturing costs, including costs for containers and other packaging. Moreover, price increases in the crude oil market, especially those sustained over extended periods, could adversely affect transportation costs related to our products. In the event that we are unable to cover the effects of higher raw material prices through cost reductions, or are prevented from enacting price revisions due to market conditions, these trends could have a tremendously adverse impact on the Group's financial condition.

In addition to the aforementioned, the Group faces a range of other risks, including the risks related to unseasonable weather conditions and natural disasters. As such, the aforementioned risks are not an exhaustive list of those that could negatively impact the Group business operations. The Group is aware of these risks, however, and strives to mitigate or to avoid their occurrence.

Consolidated Balance Sheet

YAKULT HONSHA CO., LTD. and subsidiaries
March 31, 2012

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2012	2011	2012
ASSETS			
Current assets:			
Cash and cash equivalents (Note 11)	¥ 75,559	¥ 86,551	$ 921,453
Time deposits (Note 11)	3,561	2,287	43,425
Receivables (Note 11):			
Notes and accounts receivable	48,587	46,087	592,522
Associated companies	4,281	3,333	52,214
Other	3,335	4,390	40,669
Inventories (Note 3)	31,205	27,740	380,548
Deferred tax assets (Note 8)	7,470	9,240	91,102
Other current assets	3,897	3,655	47,525
Allowance for doubtful accounts (Note 11)	(301)	(453)	(3,672)
Total current assets	177,594	182,830	2,165,786
Property, plant and equipment:			
Land (Note 5)	34,003	34,629	414,669
Buildings and structures (Note 5)	101,594	100,126	1,238,949
Machinery, equipment and vehicles	98,802	97,150	1,204,902
Furniture and fixtures	18,957	18,383	231,186
Lease assets (Note 9)	22,410	23,615	273,288
Construction in progress	14,314	8,920	174,560
Total	290,080	282,823	3,537,554
Accumulated depreciation	(153,117)	(149,106)	(1,867,279)
Net property, plant and equipment	136,963	133,717	1,670,275
Investments and other assets:			
Investment securities (Notes 4 and 11)	34,063	26,474	415,403
Investments in and advances to associated companies (Note 11)	31,216	30,815	380,685
Long-term loans	584	602	7,124
Goodwill	131	272	1,595
Deferred tax assets (Note 8)	5,314	6,892	64,804
Other assets	11,349	11,226	138,399
Total investments and other assets	82,657	76,281	1,008,010
Total	¥ 397,214	¥ 392,828	$ 4,844,071

See notes to consolidated financial statements.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2012	2011	2012
LIABILITIES AND EQUITY			
Current liabilities:			
Short-term borrowings (Notes 5 and 11)	¥ 4,571	¥ 2,671	$ 55,736
Current portion of long-term debt (Notes 5, 9 and 11)	4,061	4,985	49,519
Payables (Note 11):			
Notes and accounts payable	24,638	22,168	300,464
Associated companies	127	92	1,553
Other	9,136	6,081	111,416
Income taxes payable (Note 8)	1,440	3,335	17,565
Accrued expenses	17,514	16,589	213,589
Allowance for loss on plants reorganization	1,530	162	18,659
Allowance for losses from a natural disaster		713	
Deferred tax liabilities (Note 8)	250	41	3,045
Other current liabilities	8,715	6,339	106,278
Total current liabilities	71,982	63,176	877,824
Long-term liabilities:			
Long-term debt (Notes 5, 9 and 11)	47,796	49,946	582,883
Liability for retirement benefits (Note 6)	18,219	19,246	222,177
Allowance for loss on plants reorganization	638	2,148	7,781
Asset retirement obligations	807	785	9,844
Deferred tax liabilities (Note 8)	1,791	2,610	21,844
Other long-term liabilities	3,738	3,946	45,584
Total long-term liabilities	72,989	78,681	890,113
Commitments and contingent liabilities (Note 9)			
Equity (Notes 7 and 15):			
Common stock— authorized, 700,000,000 shares; issued, 175,910,218 shares in 2012 and 2011	31,118	31,118	379,484
Capital surplus	41,291	41,192	503,545
Retained earnings	210,536	200,997	2,567,516
Treasury stock—at cost 3,831,586 shares in 2012 and 3,920,724 shares in 2011	(8,697)	(9,051)	(106,065)
Accumulated other comprehensive income:			
Unrealized gain (loss) on available-for-sale securities	511	(935)	6,234
Foreign currency translation adjustments	(46,132)	(37,435)	(562,590)
Total	228,627	225,886	2,788,124
Minority interests	23,616	25,085	288,010
Total equity	252,243	250,971	3,076,134
Total	¥397,214	¥392,828	$4,844,071

Consolidated Statement of Income

YAKULT HONSHA CO., LTD. and subsidiaries
Year ended March 31, 2012

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2012	2011	**2012**
Net sales	**¥312,553**	¥305,944	**$3,811,621**
Cost of sales (Notes 6, 9 and 13)	**142,522**	138,404	**1,738,069**
Gross profit	**170,031**	167,540	**2,073,552**
Selling, general and administrative expenses (Notes 6, 9 and 13)	**149,214**	147,139	**1,819,684**
Operating income	**20,817**	20,401	**253,868**
Other income (expenses):			
Interest and dividend income	**3,092**	2,553	**37,710**
Interest expense	**(696)**	(812)	**(8,484)**
Foreign exchange gain (loss)	**1,513**	(334)	**18,447**
Equity in earnings of associated companies	**2,529**	2,131	**30,846**
Valuation loss on investment securities (Note 4)	**(1,187)**	(607)	**(14,476)**
Provision for loss on plants reorganization	**(69)**	(218)	**(841)**
Losses from a natural disaster (Note 14)	**(1,056)**	(1,657)	**(12,874)**
Reversal of allowance for loss on disasters	**335**		**4,090**
Refund of social insurance premium	**1,437**		**17,520**
Loss on adjustment for a change in accounting standard for asset retirement obligation		(615)	
Other—net (Note 4)	**(767)**	561	**(9,364)**
Other income—net	**5,131**	1,002	**62,574**
Income before income taxes and minority interests	**25,948**	21,403	**316,442**
Income taxes (Note 8):			
Current	**6,928**	8,205	**84,493**
Deferred	**1,640**	(2,937)	**20,003**
Total income taxes	**8,568**	5,268	**104,496**
Net income before minority interests	**17,380**	16,135	**211,946**
Minority interests in net income	**4,088**	2,966	**49,849**
Net income	**¥ 13,292**	¥ 13,169	**$ 162,097**

	Yen		U.S. dollars (Note 1)
Per share of common stock (Notes 2 (Q) and 16):			
Basic net income	**¥ 77.32**	¥ 76.55	**$ 0.94**
Cash dividends applicable to the year	**22.00**	22.00	**0.27**

Diluted net income per share of common stock for 2012 and 2011 was not calculated due to the absence of dilutive securities.
See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

YAKULT HONSHA CO., LTD. and subsidiaries
Year ended March 31, 2012

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2012	2011	**2012**
Net income before minority interests	**¥ 17,380**	¥ 16,135	**$ 211,946**
Other comprehensive income (Note 12):			
Unrealized gain (loss) on available-for-sale securities	**1,522**	(2,162)	**18,562**
Foreign currency translation adjustments	**(12,557)**	(10,213)	**(153,134)**
Share of other comprehensive income in associates	**(114)**	46	**(1,392)**
Total other comprehensive income	**(11,149)**	(12,329)	**(135,964)**
Comprehensive income	**¥ 6,231**	¥ 3,806	**$ 75,982**
Total comprehensive income attributed to:			
Owners of the parent	**¥ 6,041**	¥ 2,839	**$ 73,664**
Minority interests	**190**	967	**2,318**

See notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

YAKULT HONSHA CO., LTD. and subsidiaries
Year ended March 31, 2012

	Thousands	Millions of yen								
						Accumulated other comprehensive income				
	Outstanding number of shares of common stock	Common stock	Capital surplus	Retained earnings	Treasury stock	Unrealized gain (loss) on available-for-sale securities	Foreign currency translation adjustments	Total	Minority interests	Total equity
Balance, April 1, 2010	172,177	¥31,118	¥41,230	¥187,991	¥(8,432)	¥ 1,161	¥(29,202)	¥223,866	¥25,056	¥248,922
Beginning balance effect of change in accounting policy for foreign associated companies			(38)	1,767				1,729		1,729
Net income				13,169				13,169		13,169
Cash dividends, ¥20.0 per share				(3,439)				(3,439)		(3,439)
Increase due to change in scope of consolidation				1,509				1,509		1,509
Repurchase of treasury stock	(15)				(36)			(36)		(36)
Other increase in treasury stock	(172)				(583)			(583)		(583)
Net change in the year						(2,096)	(8,233)	(10,329)	29	(10,300)
Balance, March 31, 2011	171,990	31,118	41,192	200,997	(9,051)	(935)	(37,435)	225,886	25,085	250,971
Net income				**13,292**				**13,292**		**13,292**
Surplus from disposal of treasury stock			**99**					**99**		**99**
Cash dividends, ¥22.0 per share				**(3,953)**				**(3,953)**		**(3,953)**
Increase due to change in scope of consolidation				**200**				**200**		**200**
Repurchase of treasury stock	**(138)**				**(205)**			**(205)**		**(205)**
Other increase in treasury stock	**227**				**559**			**559**		**559**
Net change in the year						**1,446**	**(8,697)**	**(7,251)**	**(1,469)**	**(8,720)**
Balance, March 31, 2012	**172,079**	**¥31,118**	**¥41,291**	**¥210,536**	**¥(8,697)**	**¥ 511**	**¥(46,132)**	**¥228,627**	**¥23,616**	**¥252,243**

	Thousands of U.S. dollars (Note 1)								
					Accumulated other comprehensive income				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Unrealized gain (loss) on available-for-sale securities	Foreign currency translation adjustments	Total	Minority interests	Total equity
Balance, March 31, 2011	$379,484	$502,342	$2,451,183	$(110,372)	$(11,402)	$(456,521)	$2,754,714	$305,915	$3,060,629
Net income			**162,097**				**162,097**		**162,097**
Surplus from disposal of treasury stock		**1,203**					**1,203**		**1,203**
Cash dividends, $0.27 per share			**(48,202)**				**(48,202)**		**(48,202)**
Increase due to change in scope of consolidation			**2,438**				**2,438**		**2,438**
Repurchase of treasury stock				**(2,505)**			**(2,505)**		**(2,505)**
Other increase in treasury stock				**6,812**			**6,812**		**6,812**
Net change in the year					**17,636**	**(106,069)**	**(88,433)**	**(17,905)**	**(106,338)**
Balance, March 31, 2012	**$379,484**	**$503,545**	**$2,567,516**	**$(106,065)**	**$ 6,234**	**$(562,590)**	**$2,788,124**	**$288,010**	**$3,076,134**

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

YAKULT HONSHA CO., LTD. and subsidiaries
Year ended March 31, 2012

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2012	2011	**2012**
Operating activities:			
Income before income taxes and minority interests	**¥ 25,948**	¥ 21,403	**$ 316,442**
Adjustments for:			
Income taxes—paid	**(9,159)**	(7,079)	**$ (111,694)**
Depreciation and amortization	**18,337**	19,628	**223,622**
Loss on disposals and sales of property, plant and equipment	**1,166**	666	**14,215**
Losses from a natural disaster		945	
Loss on adjustment for a change of accounting standard for asset retirement obligations		615	
Equity in earnings of associated companies	**(2,529)**	(2,131)	**(30,846)**
Loss on valuation of investment securities	**1,187**	607	**14,476**
Changes in operating assets and liabilities:			
Increase in receivables	**(4,181)**	(758)	**(50,985)**
(Increase) decrease in inventories	**(4,170)**	3,104	**(50,852)**
Increase in payables	**2,704**	1,139	**32,974**
(Decrease) increase in liability for retirement benefits	**(920)**	1,149	**(11,226)**
Other—net	**5,062**	1,700	**61,739**
Total adjustments	**7,497**	19,585	**91,423**
Net cash provided by operating activities	**33,445**	40,988	**407,865**
Investing activities:			
Transfers to time deposits	**(9,690)**	(3,531)	**(118,165)**
Proceeds from withdrawing time deposits	**8,446**	4,005	**102,995**
Purchases of property, plant and equipment	**(20,705)**	(22,165)	**(252,494)**
Proceeds from sales of property, plant and equipment	**718**	890	**8,760**
Purchases of investment securities	**(6,526)**	(858)	**(79,584)**
Acquisition of controlling interest in companies	**(83)**	(160)	**(1,010)**
Increase in loans receivable	**(126)**	(41)	**(1,539)**
Collection of loans receivable	**155**	272	**1,885**
Other—net (Note 4)	**(485)**	(38)	**(5,918)**
Net cash used in investing activities	**(28,296)**	(21,626)	**(345,070)**

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2012	2011	**2012**
Financing activities:			
Net increase in short-term loans	**1,928**	(1,699)	**23,517**
Payments for settlement of long-term debt	**(5,288)**	(6,651)	**(64,484)**
Repurchase of treasury stock	**(1)**	(36)	**(15)**
Sales of treasury stock	**581**		**7,083**
Dividends paid	**(3,945)**	(3,434)	**(48,106)**
Dividends paid to minority shareholders	**(2,557)**	(594)	**(31,183)**
Net cash used in financing activities	**(9,282)**	(12,414)	**(113,188)**
Foreign currency translation adjustments on cash and cash equivalents	**(6,723)**	(4,444)	**(81,993)**
Net (decrease) increase in cash and cash equivalents	**(10,856)**	2,504	**(132,386)**
Cash and cash equivalents resulting from changing scope of consolidation, beginning of year	**(172)**	857	**(2,098)**
Cash and cash equivalents, increased by merger	**36**		**439**
Cash and cash equivalents, beginning of year	**86,551**	83,190	**1,055,498**
Cash and cash equivalents, end of year	**¥ 75,559**	¥ 86,551	**$ 921,453**

See notes to consolidated financial statements.

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2011 financial statements to conform to the classifications used in 2012.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which YAKULT HONSHA CO., LTD. (the "Company") is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥82 to U.S.$1, the approximate rate of exchange at March 31, 2012. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(A) CONSOLIDATION

The consolidated financial statements as of March 31, 2012 include the accounts of the Company and its 79 (81 in 2011) subsidiaries (together, the "Group").

Under the control or influence concept, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated, and those companies over which the Group has the ability to exercise significant influence are accounted for by the equity method.

Investments in 4 (4 in 2011) associated companies are accounted for by the equity method.

Investments in the remaining associated companies are stated at cost. If the equity method of accounting had been applied to the investments in these companies, the effect on the accompanying consolidated financial statements would not be material.

The excess of the cost of an acquisition over the fair value of the net assets of the acquired subsidiaries at the date of acquisition is being amortized on a straight-line basis over 10 years.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Group is eliminated.

(B) UNIFICATION OF ACCOUNTING POLICIES APPLIED TO FOREIGN SUBSIDIARIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

In May 2006, the Accounting Standards Board of Japan (the "ASBJ") issued ASBJ Practical Issues Task Force (PITF) No. 18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements". PITF No. 18 prescribes: (1) the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should in principle be unified for the preparation of the consolidated financial statements, (2) financial statements prepared by foreign subsidiaries in accordance with either International Financial Reporting Standards or the generally accepted accounting principles in the United States of America tentatively may be used for the consolidation process, (3) however, the following items should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP unless they are not material: 1) amortization of goodwill; 2) scheduled amortization of actuarial gain or loss of pensions that has been directly recorded in the equity; 3) expensing capitalized development costs of R&D; 4) cancellation of the fair value model accounting for property, plant, and equipment and investment properties and incorporation of the cost model accounting; and 5) exclusion of minority interests from net income, if contained.

(C) UNIFICATION OF ACCOUNTING POLICIES APPLIED TO FOREIGN ASSOCIATED COMPANIES FOR THE EQUITY METHOD

In March 2008, the ASBJ issued ASBJ Statement No. 16, "Accounting Standard for Equity Method of Accounting for Investments". The accounting standard requires adjustments to be made to conform the associate's accounting policies for similar transactions and events under similar circumstances to those of the parent company when the associate's financial statements are used in applying the equity method unless it is impracticable to determine adjustments. In addition, financial statements prepared by foreign associated companies in accordance with either International Financial Reporting Standards or the generally accepted accounting principles in the United States of America tentatively may be used in applying the equity method if the following items are adjusted so that net income is accounted for in accordance with Japanese GAAP unless they are not material: 1) amortization of goodwill; 2) scheduled amortization of actuarial gain or loss of pensions that has been directly recorded in the equity; 3) expensing capitalized development costs of R&D; 4) cancellation of the fair value model accounting for property, plant, and equipment and investment properties and incorporation of the cost model accounting; and 5) exclusion of minority interests from net income, if contained.

(D) BUSINESS COMBINATION

In December 2008, the ASBJ issued a revised accounting standard for business combinations, ASBJ Statement No. 21, "Accounting Standard for Business Combinations". Major accounting changes under the revised accounting standard are as follows: (1) The revised standard requires accounting for business combinations only by the purchase method. As a result, the pooling of interests method of accounting is no longer allowed. (2) The previous accounting standard required research and development costs to be charged to income as incurred. Under the revised standard, in-process research and development acquired in the business combination is capitalized as an intangible asset. (3) The previous accounting standard provided for a bargain purchase gain (negative goodwill) to be systematically amortized over a period not exceeding 20 years. Under the revised standard, the acquirer recognizes the bargain purchase gain in profit or loss immediately on the acquisition date after reassessing and confirming that all of the assets acquired and all of the liabilities assumed have been identified after a review of the procedures used in the purchase allocation. The revised standard was applicable to business combinations undertaken on or after April 1, 2010.

(E) CASH EQUIVALENTS

Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value.

Cash equivalents include time deposits, certificate of deposits, commercial paper and bond funds, all of which mature or become due within three months of the date of acquisition.

(F) INVENTORIES

Inventories are stated at the lower of cost, determined by the average method, or net selling value.

(G) PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost. Depreciation of property, plant and equipment of the Company and its domestic subsidiaries is computed by the declining-balance method. On the other hand, the straight-line method is principally applied to the property, plant and equipment of foreign subsidiaries.

Estimated useful lives are as follows:

- The Company and its domestic subsidiaries

Buildings and structures	7 to 50 years
Machinery, equipment and vehicles	4 to 17 years

- Foreign subsidiaries

Buildings and structures	3 to 40 years
Machinery, equipment and vehicles	2 to 20 years

The useful lives for leased assets are the terms of the respective leases.

(H) LONG-LIVED ASSETS

The Group reviews its long-lived assets for impairment whenever events or changes in circumstance indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

(I) INVESTMENT SECURITIES

The Group classifies all securities as available-for-sale securities, and reports marketable securities at fair value, with unrealized gains and losses (net of applicable taxes) as a separate component of equity.

Non-marketable available-for-sale securities are stated at cost determined by the moving-average method. For other-than-temporary declines in fair value, investment securities are reduced to net realizable value by a charge to income.

(J) RETIREMENT AND PENSION PLANS

The Company and certain subsidiaries have non-contributory and contributory funded pension plans covering substantially all of their employees. Certain subsidiaries have unfunded retirement benefit plans.

Retirement benefits to directors and corporate auditors of certain subsidiaries are provided at the amount which would be required if all directors and corporate auditors retired at each balance sheet date.

(K) ASSET RETIREMENT OBLIGATIONS

In March 2008, the ASBJ published the accounting standard for asset retirement obligations, ASBJ Statement No. 18 "Accounting Standard for Asset Retirement Obligations" and ASBJ

Guidance No. 21 “Guidance on Accounting Standard for Asset Retirement Obligations”. Under this accounting standard, an asset retirement obligation is defined as a legal obligation imposed either by law or contract that results from the acquisition, construction, development and the normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset. The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period the asset retirement obligation is incurred, the liability should be recognized when a reasonable estimate of the asset retirement obligation can be made. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability. The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an increase or a decrease in the carrying amount of the liability and the capitalized amount of the related asset retirement cost.

(L) RESEARCH AND DEVELOPMENT COSTS

Research and development costs are charged to income as incurred.

(M) LEASES

All finance lease transactions are capitalized to recognize lease assets and lease obligations in the balance sheet. All other leases are accounted for as operating leases.

(N) INCOME TAXES

The provision for income taxes is computed based on the pretax income included in the consolidated statement of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

(O) FOREIGN CURRENCY TRANSACTIONS

All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the balance sheet date. The foreign exchange gains and losses from translation are recognized in the consolidated statement of income to the extent that they are not hedged by forward exchange contracts.

(P) FOREIGN CURRENCY FINANCIAL STATEMENTS

The balance sheet accounts of the foreign subsidiaries are translated into Japanese yen at the current exchange rate as of the balance sheet date except for equity, which is translated at the historical rate.

Differences arising from such translation were shown as “Foreign currency translation adjustments” under accumulated other comprehensive income in a separate component of equity.

Revenue and expense accounts of foreign subsidiaries and associated companies are translated into Japanese yen at the average exchange rate.

(Q) PER SHARE INFORMATION

Basic net income per share is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding for the period, retroactively adjusted for stock splits.

Diluted net income per share for the years ended March 31, 2012 and 2011 is not disclosed due to the absence of dilutive securities.

Cash dividends per share presented in the accompanying consolidated statement of income are dividends applicable to the respective years including dividends to be paid after the end of the year.

(R) ACCOUNTING CHANGES AND ERROR CORRECTIONS

In December 2009, ASBJ issued ASBJ Statement No. 24, “Accounting Standard for Accounting Changes and Error Corrections”, and ASBJ Guidance No. 24, “Guidance on Accounting Standard for Accounting Changes and Error Corrections”. Accounting treatments under this standard and guidance are as follows;

(1) Changes in Accounting Policies:

When a new accounting policy is applied with a revision of accounting standards, the new policy is applied retrospectively unless the revised accounting standards include specific transitional provisions. When the revised accounting standards include specific transitional provisions, an entity shall comply with the specific transitional provisions.

(2) Changes in Presentations

When the presentation of financial statements is changed, prior period financial statements are reclassified in accordance with the new presentation.

(3) Changes in Accounting Estimates

A change in an accounting estimate is accounted for in the period of the change if the change affects that period only, and is accounted for prospectively if the change affects both the period of the change and future periods.

(4) Corrections of Prior Period Errors

When an error in prior period financial statements is discovered, those statements are restated.

This accounting standard and the guidance are applicable to accounting changes and corrections of prior period errors which are made from the beginning of the fiscal year that begins on or after April 1, 2011.

(S) NEW ACCOUNTING PRONOUNCEMENTS

Accounting Standard for Retirement Benefits

On May 17, 2012, the ASBJ issued ASBJ Statement No. 26, "Accounting Standard for Retirement Benefits" and ASBJ Guidance No. 25, "Guidance on Accounting Standard for Retirement Benefits," which replaced the Accounting Standard for Retirement Benefits that had been issued by the Business Accounting Council in 1998 with effective date of April 1, 2000 and the other related practical guidances, being followed by partial amendments from time to time through 2009.

Major changes are as follows:

(1) Treatment in the balance sheet

Under the current requirements, actuarial gains and losses and past service costs that are yet to be recognized in profit or loss are not recognized in the balance sheet, and the difference between retirement benefit obligations and plan assets (hereinafter, "deficit or surplus"), adjusted by such unrecognized amounts, are recognized as a liability or asset.

Under the revised accounting standard, actuarial gains and losses and past service costs that are yet to be recognized in profit or loss shall be recognized within equity (accumulated other comprehensive income), after adjusting for tax effects, and the deficit or surplus shall be recognized as a liability (liability for retirement benefits) or asset (asset for retirement benefits).

(2) Treatment in the statement of income and the statement of comprehensive income

The revised accounting standard would not change how to recognize actuarial gains and losses and past service costs in profit or loss. Those amounts would be recognized in profit or loss over a certain period no longer than the expected average remaining working lives of the employees. However, actuarial gains and losses and past service costs that arose in the current period and yet to be recognized in profit or loss shall be included in other comprehensive income and actuarial gains and losses and past service costs that were recognized in other comprehensive income in prior periods and then recognized in profit or loss in the current period shall be treated as reclassification adjustments.

This accounting standard and the guidance are effective for the end of annual periods beginning on or after April 1, 2013 with earlier application being permitted from the beginning of annual periods beginning on or after April 1, 2013. However, no retrospective application of this accounting standard to consolidated financial statements in prior periods is required.

The Company expects to apply the revised accounting standard from the end of the annual period beginning on April 1, 2013 and is in the process of measuring the effects of applying the revised accounting standard for the year ending March 31, 2014.

3. INVENTORIES

Inventories at March 31, 2012 and 2011 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Merchandise and finished products	**¥ 9,822**	¥ 8,380	**$119,775**
Work in process	**5,117**	2,943	**62,402**
Raw materials and supplies	**16,266**	16,417	**198,371**
Total	**¥31,205**	¥27,740	**$380,548**

4. INVESTMENT SECURITIES

Investment securities at March 31, 2012 and 2011 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Investment securities:			
Marketable equity securities	**¥33,145**	¥25,617	**$404,204**
Government and corporate bonds	**5**	5	**63**
Trust fund investments and other	**913**	852	**11,136**
Total	**¥34,063**	¥26,474	**$415,403**

The costs and aggregate fair values of investment securities at March 31, 2012 and 2011 were as follows:

	Millions of yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
March 31, 2012				
Securities classified as—				
Available-for-sale:				
Equity securities	**¥33,970**	**¥3,146**	**¥3,971**	**¥33,145**
Debt securities	**5**			**5**
Other	**7**			**7**
March 31, 2011				
Securities classified as—				
Available-for-sale:				
Equity securities	¥28,457	¥1,362	¥4,202	¥25,617
Debt securities	5			5
Other	12			12

	Thousands of U.S. dollars			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
March 31, 2012				
Securities classified as—				
Available-for-sale:				
Equity securities	**$414,264**	**$38,368**	**$48,428**	**$404,204**
Debt securities	**58**	**5**		**63**
Other	**84**			**84**

Available-for-sale securities whose fair value cannot be reliably determined at March 31, 2012 and 2011 were ¥906 million ($11,052 thousand) and ¥840 million, respectively.

Proceeds from sales of available-for-sale securities for the years ended March 31, 2012 and 2011 were ¥14 million ($172 thousand) and ¥64 million, respectively. Gross realized gain on these sales for the years ended March 31, 2012 and 2011, computed on the moving average cost basis, were ¥0 million ($1 thousand) and ¥20 million, respectively. Gross realized losses on these sales for the years ended March 31, 2012 and 2011 were ¥8 million ($99 thousand) and ¥1 million, respectively.

The valuation loss on available-for-sale equity securities for the years ended March 31, 2012 and 2011 were ¥1,187 million ($14,476 thousand) and ¥607 million, respectively.

5. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term borrowings mainly consisting of bank loans, which include notes to banks and bank overdrafts, at March 31, 2012 and 2011, were ¥4,571 million ($55,736 thousand) and ¥2,671 million, respectively. The annual interest rates applicable to short-term bank loans outstanding at March 31, 2012 and 2011 ranged from 0.01% to 15.91% and 0.38% to 1.98%, respectively.

Long-term debt at March 31, 2012 and 2011 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Loans from banks and other financial institutions, 0.42% to 2.45% (0.42% to 4.90% in 2011), due serially to 2025:			
Collateralized	**¥ 898**	¥ 1,392	**$ 10,955**
Unsecured	**41,992**	42,355	**512,092**
Obligations under finance leases (Note 9)	**8,967**	11,184	**109,355**
Total	**51,857**	54,931	**632,402**
Less current portion	**(4,061)**	(4,985)	**(49,519)**
Long-term debt, less current portion	**¥47,796**	¥49,946	**$582,883**

Annual maturities of long-term debt as of March 31, 2012 were as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2013	¥ 4,061	$ 49,519
2014	42,903	523,204
2015	1,981	24,163
2016	1,290	15,731
2017	713	8,695
2018 and thereafter	909	11,090
Total	¥51,857	$632,402

The carrying amounts of assets pledged as collateral for long-term debt at March 31, 2012 were as follows:

Year ended March 31	Millions of yen	Thousands of U.S. dollars
Land	**¥4,176**	**$50,923**
Buildings and structures—net of accumulated depreciation	**1,467**	**17,889**
Total	**¥5,643**	**$68,812**

As is customary in Japan, the Company maintains substantial deposit balances with the banks with which it has borrowings. Such deposit balances are not legally or contractually restricted as to withdrawal. General agreements with respective banks provide, as is customary in Japan, that additional collateral must be provided under certain circumstances if requested by such banks and that certain banks have the right to offset cash deposited with them against any long-term or short-term debt or obligation that becomes due and, in case of default and certain other specified events, against all other debt payable to the banks. The Company has never been requested to provide any additional collateral.

6. RETIREMENT AND PENSION PLANS

The Company and certain subsidiaries have severance payment plans for employees. Certain subsidiaries have severance payment plans for directors and corporate auditors.

The plans provide benefits based on the rate of pay at the time of termination, years of service and certain other factors. Such retirement benefits are made in the form of a lump-sum severance payment from the Company or from certain subsidiaries and annuity payments from a trustee. Employees are entitled to larger payments by voluntary retirement at certain specific ages prior to the mandatory retirement age. The liability for retirement benefits at March 31, 2012 and 2011 included the amounts of ¥356 million ($4,333 thousand) and ¥390 million respectively for directors and corporate auditors. The retirement benefits for directors and corporate auditors are paid subject to the approval of the shareholders.

The Company and certain subsidiaries have various non-contributory and contributory plans and other retirement benefit plans.

The liability (asset) for employees' retirement benefits at March 31, 2012 and 2011 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Projected benefit obligation	**¥ 61,310**	¥ 59,462	**$ 747,685**
Fair value of plan assets	**(34,968)**	(33,086)	**(426,446)**
Unrecognized actuarial loss	**(8,502)**	(7,552)	**(103,679)**
Net liability	**17,840**	18,824	**217,560**
Prepaid pension cost	**23**	32	**284**
Liability for employees' retirement benefits	**¥ 17,863**	¥ 18,856	**$ 217,844**

The components of net periodic retirement benefit costs for the years ended March 31, 2012 and 2011 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Service cost	**¥2,515**	¥2,540	**$30,666**
Interest cost	**1,121**	1,104	**13,676**
Expected return on plan assets	**(793)**	(791)	**(9,667)**
Recognized actuarial loss	**1,249**	1,849	**15,230**
Variance (from simplified method to regular method)		245	
Net periodic retirement benefit costs	**¥4,092**	¥4,947	**$49,905**

Assumptions used for the years ended March 31, 2012 and 2011 were as follows:

	2012	2011
Discount rate	**1.8%**	2.0%
Expected rate of return on plan assets	**2.5%**	2.5%
Recognition period of actuarial gain/loss	**10 years**	10 years

7. EQUITY

Japanese companies are subject to the Companies Act of Japan (the "Companies Act"). The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

(A) DIVIDENDS

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders' meeting. For companies that meet certain criteria such as; (1) having the Board of Directors, (2) having independent auditors, (3) having the Board of Corporate Auditors, and (4) the term of service of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends in kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. The Company meets all the above criteria.

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

(B) INCREASES/DECREASES AND TRANSFER OF COMMON STOCK, RESERVE AND SURPLUS

The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the total aggregate amount of the legal reserve and additional paid-in capital equals 25% of the common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

(C) TREASURY STOCK AND TREASURY STOCK ACQUISITION RIGHTS

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by a specific formula. Under the Companies Act, stock acquisition rights are presented as a separate component of equity. The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

8. INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 40.69% for the years ended March 31, 2012 and 2011. Foreign subsidiaries are subject to income taxes of the countries in which they operate.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2012 and 2011 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Deferred tax assets:			
Pension and severance costs	**¥ 6,414**	¥ 7,599	**$ 78,227**
Tax loss carryforwards	**4,761**	4,263	**58,062**
Other	**16,122**	18,437	**196,605**
Less valuation allowance	**(9,627)**	(9,030)	**(117,400)**
Total	**¥17,670**	¥21,269	**$ 215,494**
Deferred tax liabilities:			
Undistributed earnings of foreign subsidiaries and associated companies	**¥ 2,503**	¥ 2,833	**$ 30,524**
Unrealized gain on land held by subsidiaries	**1,855**	2,237	**22,621**
Other	**2,569**	2,718	**31,332**
Total	**¥ 6,927**	¥ 7,788	**$ 84,477**
Net deferred tax assets	**¥10,743**	¥13,481	**$ 131,017**

On December 2, 2011, new tax reform laws were enacted in Japan, which changed the normal effective statutory tax rate from approximately 40.69% to 38.01% effective for the fiscal years beginning on or after April 1, 2012 through March 31, 2015, and to 35.64% afterwards. The effect of this change was to decrease deferred taxes by ¥871 million ($10,623 thousand) and to increase unrealized gain on available-for-sale securities by ¥17 million ($204 thousand) in the consolidated balance sheet as of March 31, 2012. Income taxes-deferred in the consolidated statement of income for the year then ended increased by ¥888 million ($10,827 thousand).

A reconciliation between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statement of income for the year ended March 31, 2012 was as follows:

	2012
Normal effective statutory tax rate	**40.69%**
Equity in earnings of associated companies	**(2.85)**
Tax exemption	**(2.00)**
Social expenses not deductible for income tax purposes	**1.48**
Tax rate differences in foreign subsidiaries	**(9.99)**
Effect of revised corporate tax rate	**3.42**
Other—net	**2.27**
Actual effective tax rate	**33.02%**

At March 31, 2012, certain subsidiaries had tax loss carryforwards aggregating to approximately ¥15,392 million ($187,711 thousand), which were available to be offset against taxable income of such subsidiaries in future years. These tax loss carryforwards, if not utilized, will expire as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2013	¥ 234	$ 2,857
2014	329	4,016
2015	1,251	15,257
2016	500	6,097
2017	261	3,184
2018 and thereafter	12,817	156,300
Total	¥15,392	$187,711

9. LEASES

The Group leases certain machinery, research apparatus, vending machines, computer equipment and other assets.

Obligations under finance leases and future minimum payments under noncancelable operating leases were as follows:

	Millions of yen		Thousands of U.S. dollars	
	2012		**2012**	
	Finance leases	Operating leases	Finance leases	Operating leases
Due within one year	**¥3,513**	**¥ 606**	**$ 42,840**	**$ 7,387**
Due after one year	**5,454**	**990**	**66,515**	**12,073**
Total	**¥8,967**	**¥1,596**	**$109,355**	**$19,460**

	Millions of yen	
	2011	
	Finance leases	Operating leases
Due within one year	¥ 4,189	¥ 444
Due after one year	6,995	756
Total	¥11,184	¥1,200

10. RELATED PARTY DISCLOSURES

Transactions of the Company with related parties which are owned by directors, corporate auditors and their close relatives for the years ended March 31, 2012 and 2011 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Sales	**¥9,997**	¥10,403	**$121,917**
Sales discount and rebate	**132**	154	**1,618**
Purchases	**43**	44	**522**
Collection of loans	**37**	89	**453**
Rent of vending machines	**60**	104	**729**
Temporary receipt	**1,551**	1,863	**18,914**
Subsidy of sales expenses	**98**	122	**1,192**

The balances due to or from these related parties at March 31, 2012 and 2011 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Notes and accounts receivable	**¥1,936**	¥2,139	**$23,615**
Other receivables	**13**	21	**160**
Long-term loans	**81**	119	**993**
Notes and accounts payable	**10**		**116**
Other payables	**46**	48	**556**
Accrued expenses	**19**	20	**231**
Other current liabilities	**2**	15	**20**

Transactions of the Company with a corporate auditor and his close relatives for the years ended March 31, 2012 and 2011 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Acquisition of shares owned	**¥151**		**$1,838**

11. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

(1) GROUP POLICY FOR FINANCIAL INSTRUMENTS

The Group uses bank loans based on its capital investment plan mainly for the food and beverages business.

Temporal surplus funds are invested in short-term investments exposed to an insignificant risk of changes in value such as bank deposits. The Group does not invest in speculative instruments in compliance with the Group policy.

(2) NATURE, EXTENT OF RISK AND RISK MANAGEMENT SYSTEM FOR FINANCIAL INSTRUMENTS

Notes and accounts receivable are exposed to customer credit risk. To manage such credit risk, the Group monitors payment terms and credit information of major customers. Investment securities, mainly held for business-related purposes, are exposed to the risk of market price fluctuations. To manage such market risk, the fair value of the investments are obtained regularly and reported to the Company's board of directors.

Payment terms of notes and accounts payable are usually within one year.

Loans are made principally in connection with capital investments. Most of the loans are at variable interest rates and exposed to the risk of interest rate fluctuations. It is the Group policy not to hedge such market risk by derivatives such as interest-rate swaps as a result of considering the financial market situation and outstanding balance.

Payables and loans are exposed to liquidity risk. The Group manages the risk by reviewing cash-flow projections prepared by the accounting and related departments.

(3) FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair value of financial instruments are based on the quoted price in active markets. If quoted price is not available, other rational valuation techniques are used instead. The result of estimation might differ if other valuation techniques were taken.

	Millions of yen		
	Carrying amount	Fair Value	Unrealized gain/loss
March 31, 2012			
Cash and cash equivalents	**¥ 75,559**	**¥ 75,559**	
Time deposits	**3,561**	**3,561**	
Receivables	**56,203**		
Allowance for doubtful accounts	**(301)**		
Receivables—net	**55,902**	**55,902**	
Investment securities	**33,157**	**33,157**	
Total	**¥168,179**	**¥168,179**	
Short-term borrowings	**¥ 4,571**	**¥ 4,571**	
Payables	**33,901**	**33,901**	
Long-term debt (exclude obligations under finance leases)	**42,890**	**43,020**	**¥130**
Total	**¥ 81,362**	**¥ 81,492**	**¥130**

	Millions of yen		
	Carrying amount	Fair Value	Unrealized gain/loss
March 31, 2011			
Cash and cash equivalents	¥ 86,551	¥ 86,551	
Time deposits	2,287	2,287	
Receivables	53,810		
Allowance for doubtful accounts	(453)		
Receivables—net	53,357	53,357	
Investment securities	25,634	25,634	
Total	¥167,829	¥167,829	
Short-term borrowings	¥ 2,671	¥ 2,671	
Payables	28,341	28,341	
Long-term debt (exclude obligations under finance leases)	43,747	43,868	¥121
Total	¥ 74,759	¥ 74,880	¥121

	Thousands of U.S. dollars		
	Carrying amount	Fair Value	Unrealized gain/loss
March 31, 2012			
Cash and cash equivalents	**$ 921,453**	**$ 921,453**	
Time deposits	**43,425**	**43,425**	
Receivables	**685,405**		
Allowance for doubtful accounts	**(3,672)**		
Receivables—net	**681,733**	**681,733**	
Investment securities	**404,351**	**404,351**	
Total	**$2,050,962**	**$2,050,962**	
Short-term borrowings	**$ 55,736**	**$ 55,736**	
Payables	**413,433**	**413,433**	
Long-term debt (exclude obligations under finance leases)	**523,047**	**524,632**	**$1,585**
Total	**$ 992,216**	**$ 993,801**	**$1,585**

Cash and cash equivalents, Time deposits and Receivables

The carrying values of cash and cash equivalents, time deposits and receivables approximate fair value because of their short maturities.

Investment securities

The fair values of investment securities are measured at the quoted market price of the stock exchange for the equity instruments, and at the quoted price obtained from the financial institution for certain debt instruments. The information on the fair value for the investment securities by classification is included in Note 4.

Short-term borrowings and Payables (excluding current portion of long-term debt)

The carrying values of short-term borrowings and payables (excluding current portion of long-term debt) approximate fair value because of their short maturities.

Long-term debt (including current portion of long-term debt)

The fair value of long-term borrowings are determined by discounting the cash flows related to the debt at the Group's assumed corporate discount rate.

(4) FINANCIAL INSTRUMENTS WHOSE FAIR VALUE CANNOT BE RELIABLY DETERMINED

	Carrying amount		
	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Investments in equity instruments that do not have a quoted market price in an active market and investments in associated companies	**¥32,122**	¥31,655	**$391,737**

(5) MATURITY ANALYSIS FOR FINANCIAL ASSETS AND SECURITIES WITH CONTRACTUAL MATURITIES

	Millions of yen			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
March 31, 2012				
Cash and cash equivalents	**¥ 75,559**			
Time deposits	**3,561**			
Receivables	**56,203**			
Total	**¥135,323**			

	Thousands of U.S. dollars			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
March 31, 2012				
Cash and cash equivalents	**$ 921,453**			
Time deposits	**43,425**			
Receivables	**685,405**			
Total	**$1,650,283**			

12. COMPREHENSIVE INCOME

The components of other comprehensive income for the year ended March 31, 2012 were as follows:

	Millions of yen	Thousands of U.S. dollars
	2012	**2012**
Unrealized gain on available-for-sale securities:		
Gain arising during the year	**¥1,276**	**$15,560**
Reclassification adjustments to profit or loss	**1,171**	**14,277**
Amount before income tax effect	**2,447**	**29,837**
Income tax effect	**(925)**	**(11,275)**
Total	**¥1,522**	**$18,562**

	Millions of yen	Thousands of U.S. dollars
	2012	**2012**
Foreign currency translation adjustment:		
Gain arising during the year	**¥(12,557)**	**$(153,134)**
Total	**¥(12,557)**	**$(153,134)**

	Millions of yen	Thousands of U.S. dollars
	2012	**2012**
Share of other comprehensive income in associates:		
Gain arising during the year	**¥ 36**	**$ 440**
Reclassification adjustments to profit or loss	**(150)**	**(1,832)**
Total	**¥ (114)**	**$ (1,392)**
Total other comprehensive income	**¥(11,149)**	**$(135,964)**

The corresponding information for the year ended March 31, 2011 was not required under the accounting standard for presentation of comprehensive income as an exemption for the first year of adopting that standard and not disclosed herein.

13. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥12,414 million ($151,393 thousand) and ¥11,480 million for the years ended March 31, 2012 and 2011, respectively.

14. LOSSES FROM A NATURAL DISASTER

Losses from a natural disaster were recorded to estimate losses and expenses incurred due to the Great East Japan Earthquake, which included fixed cost incurred during the period of suspended operation for recovery at devastated plants, restoring cost for facilities in the plants, damages for inventories and fixed assets and supporting cost for recovery for the years ended March 31, 2012 and 2011, respectively.

15. SUBSEQUENT EVENT

The following appropriation of retained earnings at March 31, 2012 was approved at the Company's board of directors' meeting held on May 11, 2012:

	Millions of yen	Thousands of U.S. dollars
Year-end cash dividends, ¥11.0 ($0.13) per share	**¥1,898**	**$23,152**

16. NET INCOME PER SHARE

Basic net income per share ("EPS") is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding for the period.

Diluted net income per share for the years ended March 31, 2012 and 2011 is not disclosed due to the absence of dilutive securities.

	Millions of yen	Thousands of shares	Yen	U.S. dollars
	Net income	Weighted average shares	EPS	
For the year ended March 31, 2012				
Basic EPS:				
Net income available to common shareholders	**¥13,292**	**171,904**	**¥77.32**	**$0.94**

	Millions of yen	Thousands of shares	Yen
	Net income	Weighted average shares	EPS
For the year ended March 31, 2011			
Basic EPS:			
Net income available to common shareholders	¥13,169	172,016	¥76.55

17. SEGMENT INFORMATION

Under the ASBJ Statement No. 17 “Accounting Standard for Segment Information Disclosures” and ASBJ Guidance No. 20 “Guidance on Accounting Standard for Segment Information Disclosures”, an entity is required to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available and such information is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, segment information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

(1) DESCRIPTION OF REPORTABLE SEGMENTS

The Group’s reportable segments are those for which separate financial information is available and regular evaluation by the Company’s management is performed in order to decide how resources are allocated among the Group. Therefore, the Group consists of the Food and Beverages (Japan), Food and Bevarages (The Americas), Food and Bevarages (Asia and Oceania), Food and Bevarages (Europe), Pharmaceuticals and Others.

Food and Beverages (Japan) consists of fermented milk drinks, juice and noodles, etc.

Food and Beverages (The Americas) consists of fermented milk drinks, etc.

Food and Beverages (Asia and Oceania) consists of fermented milk drinks, etc.

Food and Beverages (Europe) consists of fermented milk drinks, etc.

Pharmaceuticals consists of anticancer drugs and other pharmaceuticals.

Others consist of cosmetics and professional baseball team operation.

(2) METHODS OF MEASUREMENT FOR THE AMOUNTS OF SALES, PROFIT (LOSS), ASSETS, AND OTHER ITEMS FOR EACH REPORTABLE SEGMENT

The accounting policies of each reportable segment are consistent to those disclosed in Note 2, “Summary of Significant Accounting Policies”.

(3) INFORMATION ABOUT SALES, PROFIT (LOSS), ASSETS AND OTHER ITEMS IS AS FOLLOWS.

Millions of yen

	2012							
	Food and Beverages							
	Japan	The Americas	Asia and Oceania	Europe	Pharmaceuticals	Others	Reconciliation	Consolidated
Sales								
Sales to external customers	¥178,010	¥39,040	¥31,953	¥8,003	¥39,373	¥16,174		¥312,553
Intersegment sales or transfers	10,031					2,407	¥(12,438)	
Total	188,041	39,040	31,953	8,003	39,373	18,581	(12,438)	312,553
Segment profit (loss)	9,864	8,798	5,527	150	10,145	627	(14,294)	20,817
Segment assets	166,606	49,665	62,582	6,764	36,005	9,955	65,637	397,214
Other:								
Depreciation and amortization	11,871	1,597	2,101	346	708	366	1,348	18,337
Amortization of goodwill	121	3	92					216
Investment in associates			29,871					29,871
Increase in property, plant and equipment and intangible assets	18,823	1,422	3,148	249	839	555	1,679	26,715

Notes: 1. Reconciliation in segment profit (loss) mainly consists of ¥12,433 million of corporate expense that is not allocated to each segment.
2. Reconciliation in segment assets mainly consists of ¥66,773 million of corporate assets that is not allocated to each segment.
3. Reconciliation in depreciation consists of ¥1,348 million of depreciation of head office.
4. Reconciliation in capital expenditure consists of ¥1,679 million of capital expenditure of head office.

	Millions of yen							
	2011							
	Food and Beverages							
	Japan	The Americas	Asia and Oceania	Europe	Pharmaceuticals	Others	Reconciliation	Consolidated
Sales								
Sales to external customers	¥179,515	¥37,586	¥25,477	¥8,609	¥38,879	¥15,878		¥305,944
Intersegment sales or transfers	10,263					1,319	¥(11,582)	
Total	189,778	37,586	25,477	8,609	38,879	17,197	(11,582)	305,944
Segment profit (loss)	11,010	8,299	4,102	571	10,243	(669)	(13,155)	20,401
Segment assets	155,693	54,845	59,738	7,467	33,505	9,180	72,400	392,828
Other:								
Depreciation and amortization	13,472	1,574	1,926	409	708	426	1,113	19,628
Amortization of goodwill	50		92					142
Investment in associates			29,854					29,854
Increase in property, plant and equipment and intangible assets	15,596	2,081	5,109	375	589	315	2,238	26,303

Notes: 1. Reconciliation in segment profit (loss) mainly consists of ¥11,558 million of corporate expense that is not allocated to each segment.
2. Reconciliation in segment assets mainly consists of ¥78,605 million of corporate assets that is not allocated to each segment.
3. Reconciliation in depreciation consists of ¥1,113 million of depreciation of head office.
4. Reconciliation in capital expenditure consists of ¥2,238 million of capital expenditure of head office.

	Thousands of U.S. dollars							
	2012							
	Food and Beverages							
	Japan	The Americas	Asia and Oceania	Europe	Pharmaceuticals	Others	Reconciliation	Consolidated
Sales								
Sales to external customers	**$2,170,855**	**$476,093**	**$389,672**	**$97,594**	**$480,162**	**$197,245**		**$3,811,621**
Intersegment sales or transfers	**122,327**					**29,355**	**$(151,682)**	
Total	**2,293,182**	**476,093**	**389,672**	**97,594**	**480,162**	**226,600**	**(151,682)**	**3,811,621**
Segment profit (loss)	**120,288**	**107,288**	**67,402**	**1,834**	**123,721**	**7,648**	**(174,313)**	**253,868**
Segment assets	**2,031,781**	**605,672**	**763,194**	**82,490**	**439,078**	**121,404**	**800,452**	**4,844,071**
Other:								
Depreciation and amortization	**144,774**	**19,470**	**25,617**	**4,221**	**8,637**	**4,462**	**16,441**	**223,622**
Amortization of goodwill	**1,471**	**43**	**1,120**					**2,634**
Investment in associates			**364,276**					**364,276**
Increase in property, plant and equipment and intangible assets	**229,548**	**17,338**	**38,396**	**3,030**	**10,232**	**6,766**	**20,479**	**325,789**

Notes: 1. Reconciliation in segment profit (loss) mainly consists of $151,623 thousand of corporate expense that is not allocated to each segment.
2. Reconciliation in segment assets mainly consists of $814,308 thousand of corporate assets that is not allocated to each segment.
3. Reconciliation in depreciation consists of $16,441 thousand of depreciation of head office.
4. Reconciliation in capital expenditure consists of $20,479 thousand of capital expenditure of head office.

(4) Related information

1. Information about geographical areas

a. Sales

Millions of yen

2012	Japan	The Americas	Asia and Oceania	Europe	Total
	¥229,417	**¥39,040**	**¥34,340**	**¥9,756**	**¥312,553**

Millions of yen

2011	Japan	The Americas	Asia and Oceania	Europe	Total
	¥230,911	¥37,655	¥27,381	¥9,997	¥305,944

Thousands of U.S. dollars

2012	Japan	The Americas	Asia and Oceania	Europe	Total
	$2,797,773	**$476,093**	**$418,774**	**$118,981**	**$3,811,621**

Note: Sales are classified in countries or regions based on location of customers.

b. Property, plant and equipment

Millions of yen

2012	Japan	The Americas	Asia and Oceania	Europe	Total
	¥107,235	**¥8,606**	**¥18,763**	**¥2,359**	**¥136,963**

Millions of yen

2011	Japan	The Americas	Asia and Oceania	Europe	Total
	¥102,480	¥10,169	¥18,432	¥2,636	¥133,717

Thousands of U.S. dollars

2012	Japan	The Americas	Asia and Oceania	Europe	Total
	$1,307,744	**$104,942**	**$228,819**	**$28,770**	**$1,670,275**

2. Information about goodwill

Millions of yen

2012	Food and Beverages							
	Japan	The Americas	Asia and Oceania	Europe	Pharmaceuticals	Others	Eliminations/ Corporate	Consolidated
Goodwill at March 31, 2012	**¥131**							**¥131**

Millions of yen

2011	Food and Beverages							
	Japan	The Americas	Asia and Oceania	Europe	Pharmaceuticals	Others	Eliminations/ Corporate	Consolidated
Goodwill at March 31, 2011	¥180		¥92					¥272

Thousands of U.S. dollars

2012	Food and Beverages							
	Japan	The Americas	Asia and Oceania	Europe	Pharmaceuticals	Others	Eliminations/ Corporate	Consolidated
Goodwill at March 31, 2012	**$1,595**							**$1,595**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Yakult Honsha Co., Ltd.:

We have audited the accompanying consolidated balance sheet of Yakult Honsha Co., Ltd. and subsidiaries as of March 31, 2012, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in conformity with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in conformity with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Yakult Honsha Co., Ltd. and subsidiaries as of March 31, 2012, and the consolidated results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Convenience Translation

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 1. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu LLC

June 20, 2012

Member of
Deloitte Touche Tohmatsu Limited

Global Network

(As of March 31, 2012)

PRINCIPAL INTERNATIONAL SUBSIDIARIES AND AFFILIATES

1. Yakult Honsha Co., Ltd.

★ Yakult Central Institute for Microbiological Research

2. Yakult Co., Ltd. (Taiwan)
3. Hong Kong Yakult Co., Ltd.
4. Yakult (Thailand) Co., Ltd.
5. Korea Yakult Co., Ltd.
6. Yakult Philippines, Inc.
7. Yakult (Singapore) Pte., Ltd.
8. P.T. Yakult Indonesia Persada
9. Yakult Australia Pty. Ltd.
   • New Zealand Branch
10. Yakult (Malaysia) Sdn. Bhd.
11. Yakult Vietnam Co., Ltd.
12. Yakult Danone India Pvt. Ltd.
13. Yakult (China) Co., Ltd.
14. Guangzhou Yakult Co., Ltd.
15. Shanghai Yakult Co., Ltd.
16. Beijing Yakult Co., Ltd.
17. Shanghai Yakult Marketing Co., Ltd.
18. Tianjin Yakult Co., Ltd.
19. Yakult S/A Ind. E. Com. (Brazil)
20. Yakult S.A. de C.V. (Mexico)
21. Yakult Argentina S.A.
22. Yakult U.S.A. Inc.
23. Yakult Europe B.V.
24. Yakult Nederland B.V.
25. Yakult Belgium S.A./N.V.
26. Yakult UK Ltd.
    • Ireland Branch
27. Yakult Deutschland GmbH
28. Yakult Oesterreich GmbH
29. Yakult Italia S.R.L.

★ Yakult Honsha European Research Center for Microbiology, ESV

Corporate Data

(As of March 31, 2012)

CORPORATE NAME	YAKULT HONSHA CO., LTD.
DATE FOUNDED	1935
DATE INCORPORATED	April 9, 1955
HEAD OFFICE	1-19, Higashi Shimbashi 1-chome, Minato-ku, Tokyo 105-8660, Japan Phone: +81-3-3574-8960 URL: http://www.yakult.co.jp/
PAID-IN CAPITAL	¥31,117,654,815
ANNUAL ACCOUNT SETTLEMENT DATE	March 31
NUMBER OF EMPLOYEES	18,563 (Consolidated)
NUMBER OF ISSUED AND OUTSTANDING SHARES	175,910,218
NUMBER OF SHAREHOLDERS	28,036 * Including shareholders who own shares of less than one unit

OFFICES

1 head office, 1 institute, 5 branches, 9 plants

- ● Head Office
- ★ Yakult Central Institute for Microbiological Research

Branches

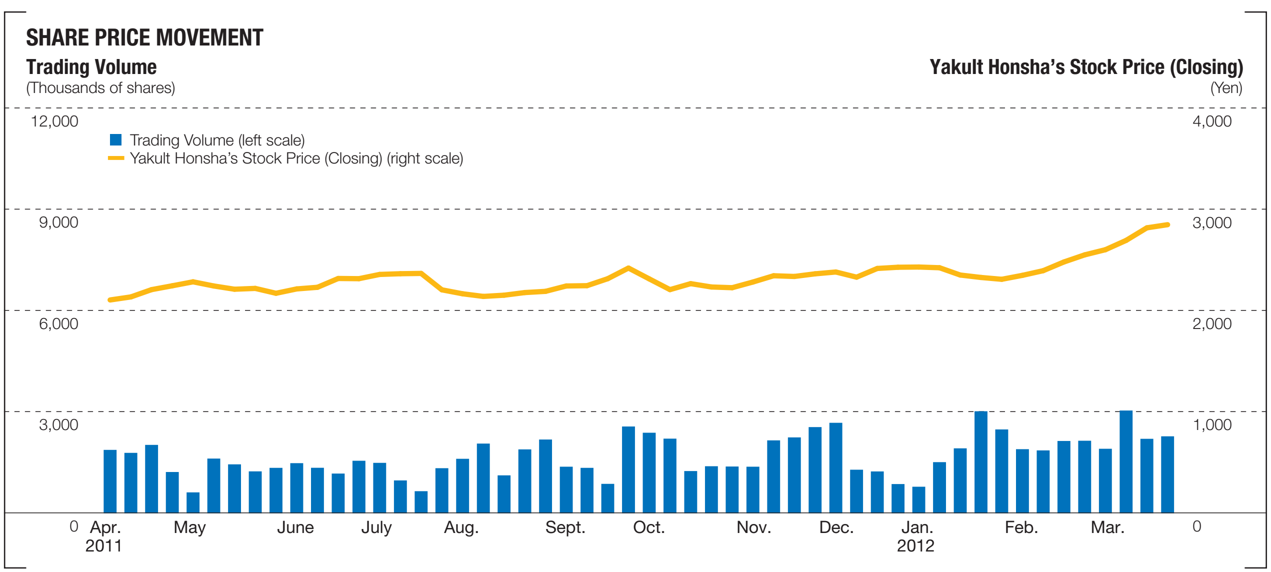
- A Hokkaido Branch
- B East Japan Branch
- C Metropolitan Branch
- D Central Japan Branch
- E West Japan Branch

Plants

1. Fukushima Plant
2. Ibaraki Plant
3. Shonan Cosmetics Plant
4. Fuji Susono Plant
5. Fuji Susono Pharmaceuticals Plant
6. Kyoto Plant
7. Fukuyama Plant
8. Saga Plant
9. Kumamoto Plant

MAJOR SUBSIDIARIES IN JAPAN

- Yakult Tokyo Sales Co., Ltd.
- Yakult Kobe Plant Co., Ltd.
- Yakult Corporation Co., Ltd.
- Yakult Materials Co., Ltd.
- Yakult Health Foods Co., Ltd.
- Yakult East Logistics Co., Ltd.
- Yakult Kyudan Co., Ltd.



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